

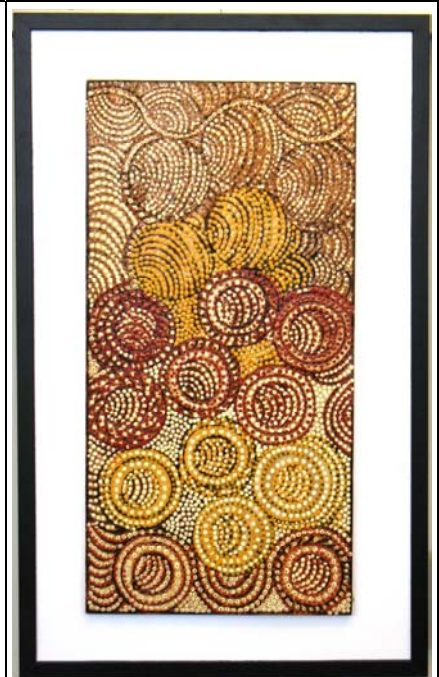
## Business: art gallery sells your artwork.

This is how the sale of an art work in a gallery takes place, and how the money is shared between the art gallery, the art centre and the artist.

### What you will need



Art Gallery



Art Work

## SAFETY: How to stay safe

Make sure your art centre has provided a good contract to protect your rights.  
Make sure you know about your tax obligations if you make an income from selling art work.

## GLOSSARY: Words you need to understand

### Contract

The agreement about sale, price, length of exhibition, payment, and protection of intellectual, community, moral and copy rights.

<b>Price</b>	The cost of something.
<b>Retail price</b>	This is the cost that the Gallery or Art Centre sells the painting for.
<b>Wholesale price</b>	The business price of something when it is sold by a supplier: For example the price the art centre sets for the art work when selling it up front to a shop or gallery.
<b>Up front</b>	Money paid by the art centre or gallery as soon as they get the work from the artist.
<b>Commission</b>	This is the price that the art centre gets, after the Gallery takes their share. It is a price added onto the artwork in order to cover the costs of the art centre and art gallery.
<b>GST</b>	Goods and Services Tax: a Federal Government tax on most things we buy and sell that adds 10% onto the cost.
<b>Bank transfer</b>	When money is moved into or out of a bank account directly into another bank account, usually using computer.
<b>Signatories</b>	The people who are authorized (registered with the bank) to sign a cheque.
<b>Cheque</b>	A paper money order from a bank with the name of the person who the money is for and the name of who it is from.
<b>Consignment</b>	Artworks are sent to a gallery or shop and are only paid for when the shop or gallery sells them to a customer.
<b>Quality</b>	Well made.
<b>Exhibition program</b>	The plan of exhibitions an art centre makes with galleries and artists for a length of time, maybe one or two years.
<b>Discount</b>	An amount or % taken off the price. Sometimes this is for people who travel all the way to the art centre to buy some art. They get a special price, a discount price.

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<b>Rent</b>	The price paid to the owner of a building, like what an art gallery will pay for using the shop. Sometimes an art centre will pay rent to a gallery to use the space for an exhibition.
<b>Artefact</b>	An object or decorative piece of craft or art such as a spear, Coolamon, woven basket or pūnu.
<b>Mark-up</b>	Money added on to something, usually talked about as a percentage %.
<b>Loan</b>	Something borrowed from someone else, which must be returned to them. Money can be given as a loan, and then repaid when artwork sells.
<b>Obligated</b>	When an art centre provides materials, work room and business for artists then the artists are obliged to sell their artworks through their art centre, not on the side. It is a duty which is owed because of something given.
<b>Debit</b>	To take out of one account: the money you owe is debited from your account.
<b>Legal way</b>	The way that is right by law. A contract is a legal document that keeps everyone's interest in the agreement safe and provides the rules and protections.
<b>Pie chart</b>	The round circle drawing which shows how big a money slice looks. Mostly in financial reports.
<b>Dollar</b>	\$ is money.
<b>Percent</b>	% is a way of looking at things as a part of the whole picture.
<b>Artist</b>	The person who made the art work.
<b>Art centre</b>	The studio and business place on your community for making and selling you art work.

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<b>Annual budget</b>	The costs and incomes for the whole art centre for the whole financial year. A financial year is from July 1 to June 30 of the following year.
<b>Profit and loss report</b>	The financial report which shows the list of things the art centre paid for and the list of things the art centre got paid for.
<b>Expenses</b>	The things which cost money when the art centre is doing business.
<b>Income:</b>	The money which is paid into the art centre business or to the artist.

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## Art Gallery sells art work

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### Art Gallery Agreement

When an art work is sent to an art gallery or shop for exhibition and sale, there is a **sales agreement** or a **contract** between the art centre and the art gallery.

They are both built on the existing agreement between the artist and the art centre.

#### Why do we use art galleries?

You sell an art work at an art gallery because:

- By holding exhibitions, the art gallery has the job of making an artist's work sell, and an artist's reputation better known. When a lot of people see the art work and want to buy it, then the sale price (the **market value**) gets bigger.
- Art centres cannot sell work in big towns without a gallery or shop to send work to, a place for customers to look and buy from.
- The gallery works hard to make an artist's name loud and strong. The gallery wants to be paid for this job.

**Expenses** that a gallery has to pay so they can run their business include:

- Shop rent
- Electricity, office, phones etc
- Sales people, staff
- Insurance, security
- Advertising
- Freight
- Packaging
- Display (frames, stretchers, plinths etc)
- Openings and media events

To make an **income**, the gallery keeps some of the money from each sale to pay the costs of being a gallery. The art centre needs to keep money for all its business costs.

## Ways to do business

There are two ways for the art gallery and the art centre to do business for exhibitions or shop sales.

1. The art gallery buys the art work from the art center.

When an art gallery or shop buys the artwork up front from the art centre, then the price paid to the artist is based upon the agreement between the artist and the art centre. This agreement is based upon the **market value** of the artist's work.

- The cost to the art gallery or shop might be the **wholesale** price. This is less than the price the art centre would sell to a single purchase customer.
- Both the art gallery and the art centre would sell to a single purchase customer at a **retail** price.

If the art gallery has paid for the art works up front, they can put any price they want to on the work as the retail price they sell it for. No extra money comes back to the artist or the art centre.

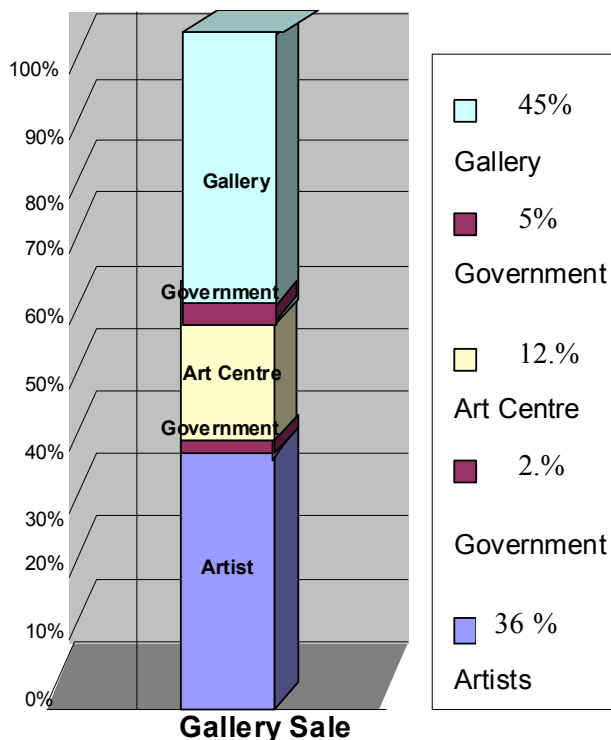
2. The art centre provides the art work on **consignment**.

When the art gallery decides to have an exhibition of works for an artist or art centre, they make an agreement with the art centre about how many works, what kinds of prices, when and for how long they will exhibit the work. This is written in the **contract**.

- The art work sent to the gallery is looked after by this contract. The art still belongs to the artist and / or their art centre, but the contract provides terms for the art gallery to try and sell the artwork.
- When an art work on consignment is sold at the gallery, then the payment after the sale is sent back to the art centre.
- How much money and when it is sent are agreed on beforehand and written in the contract.

## How the money can be divided

This chart shows how the money which is paid by the customer – the **retail** price – can be divided up between the artist, the art centre, the gallery and the government tax.



Artwork Retail Price = **\$1100**

Art Gallery total = \$550 or 50%

This includes GST tax of \$50  
It might include the cost of a stretcher or plinth - say another \$50

The Art Centre is also paid \$550, or 50%

In this example our art centre keeps \$137.50 which is 12% of the price paid to the art centre by the gallery. This fee pays for the cost of all the art materials, the freight to the gallery.

1.8% more is for GST.

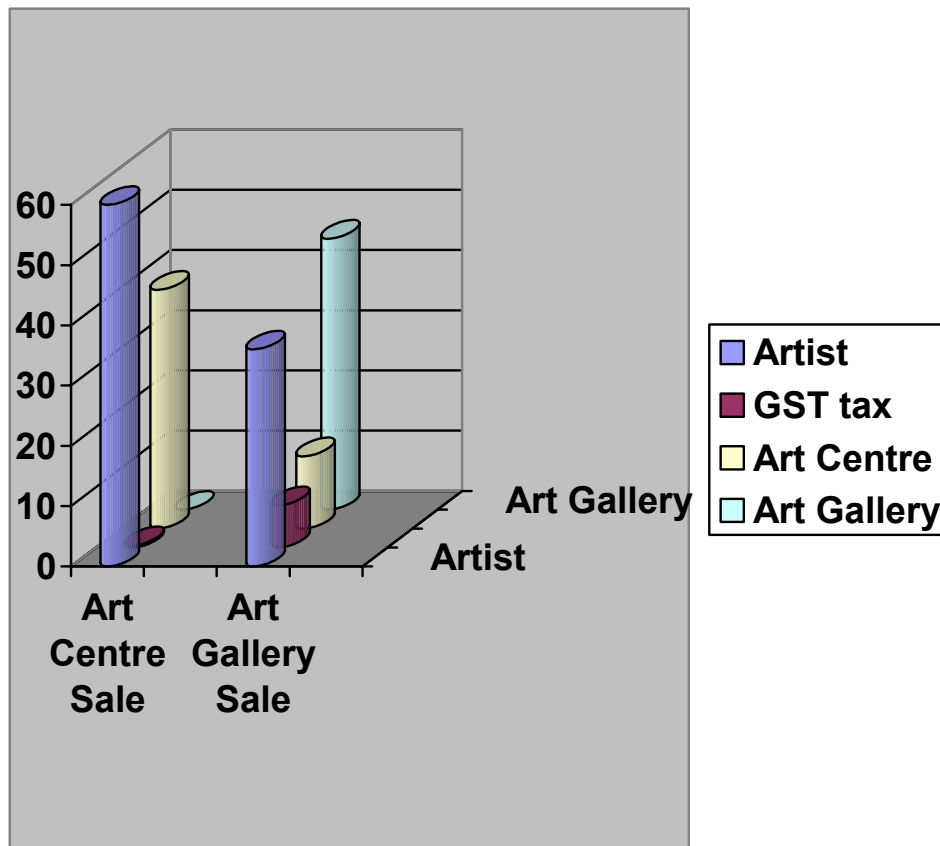
The artist will receive the remaining \$400. This is a little bit more than 36% of the retail price.

## A different way to divide the money

If the art centre made the same retail sale to a customer, for \$1100 they would then split that income with the artist and the GST tax.

- Artist = 60% or \$660
  - Art Centre = 39.64% or \$400
  - GST tax = .036% or \$40
- The artist and the art centre would receive more money, but the art centre would have to be able to find the buyer for the retail sale.

An art centre is not usually able to have enough sales or exhibitions to sell all the work of the artists. Therefore, having an agreement for exhibitions and sales with art galleries increases the sales and makes the reputation and the market value bigger.



**Spreading out the cost and profit**

We have looked at three ways a painting can sell, and how the money from that sale is spread out to pay all the costs.

The **expenses for the artist** are the time they put into making the art work.

Some **expenses for the art centre** are: office, wages, vehicle, freight, art materials, advertising and government tax.

Some **expenses for the art gallery** are: office, wages, freight, display, advertising, and government taxes.

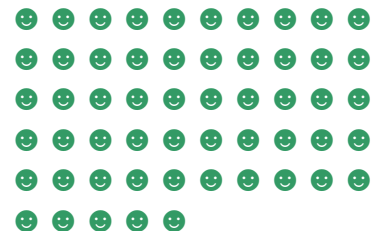
**GST**

**GOVERNMENT TAX:**

The government keeps some GST tax money from the sale of the art work.



10% of the art centre's share goes to the government for GST and 10% of the gallery share goes to the government for GST.



If the art centre keeps \$100 from the sale, it will owe the government \$9.09



The government tax will not be charged to artists unless they are registered for GST or they earn more than the tax concession allows.



You can find out how much you can earn before paying tax by contacting the Australian Tax Office, or asking your art centre manager.

ATO website is: <http://www.ato.gov.au/>