ART AND SUPERANNUATION

Buying art with superannuation funds is a "dead dog", insists Sydney-based art valuer and buyer David Hulme. Changes to super rules foreshadowed by the former federal Labor government and supported by the current Coalition government came into force on June 30.

Collectables and personal use retirement investment assets such as art cannot be stored or displayed at home, or leased to or used by a related party.

Hulme says he has been getting 10 to 15 enquiries a week for valuations of art kept in super funds, with most people purchasing their art out of super funds, rather than selling it on. "To be honest, most of the owners don't have art that has good secondary market value," he says. "A lot of it is decorative; it's not fine art."

Australian Taxation Office figures largely bear this assessment out: in 2011-12 there was an estimated $548 million of collectables and personal use assets, including artworks, held in self-managed super funds. As of the March 2016 quarter, the trend estimate was $428 million. But actual tax returns show a figure even further south: $385 million in 2013-14, the most recent figures available; close to half the figure before the super changes were announced.

Meanwhile, the Australian Art Sales Digest shows sales of art at auction have edged slightly higher of late, but don't reflect the earlier predicted Armageddon of super art sales: as of June 7, calendar year to date auction sales were $32.91 million; in 2015 $32.49 million; 2014 $25.64 million; 2013 $29.46 million; 2012 $32.26 million; 2011 $27.28 million; and 2010 $30.56 million.

"I know [the super changes] have been devastating to some extent to art galleries, but a lot of the art people buy is not quality enough to be in a super fund anyway," says Hulme.

He says none of his regular, high-end clients are interested in buying art as a tax write-off. "Certainly not now – it's not beneficial in any way, shape or form," he says.

"The terms are way too onerous for people now. It's a bit old hat to promote art in super funds now. Why would you? You can't rent your art works out, and it's very expensive to store.

"As far as I'm concerned, art in super funds is a complete dead dog. To resurrect it would require a complete reversal of policy. I don't know if people would trust it again."

Another Sydney-based art adviser and valuer, Jane Raffan, says she doesn't believe there will be a flooding of the market with art from super funds. "The majority of trustees I deal with seem to be buying the art out of the funds and retaining them in their personal collections, presumably," she concurs, "so they're punting on the art's long-term capital gains."

However, she says, there may still be some more art works from super funds coming onto the secondary market. "It has decimated the art market," she reflects. "It resulted specifically in illiquidity in the primary and secondary markets for a long time, because the people who held the works in their fund, and realised they would have to divest them ... they don't have the available cash to then go and buy new works."

Raffan says the expense of insuring, auditing, valuing and storing under the super laws is too burdensome, adding about 5 per cent to an artwork's cost.

Melbourne-based arts accountant and valuer Michael Fox says the full impact of the super changes won't be clear for another two years. Fox however credits the Save Super Art campaign, launched in 2010, with influencing government to enact legislation.

The recently introduced small business write-off of up to $20,000 on plant, equipment and furniture – including art – has stimulated sales of artworks, purchased from super funds for office use, says Fox. (Raffan and Hulme each doubt this small business write-off has had a significant impact on the art market, however.)

"A lot of people decided to sell art from their super funds early, and that depressed the market a bit, particularly the Aboriginal market," says Fox. "There's since been a bit of equilibrium. A lot of art still held in super funds is probably not worth [as much] as the figures say they're worth."

Artists were the people most punished by the new super art laws, says Fox. "When the super art law was enacted, it was [judged] all too hard to enforce better evaluation standards. A disincentive was introduced to stop people buying art works, because it didn't fit the notion of what superannuation funds should be used for. It's very unfortunate."

Fox says it's still possible to buy art with super funds, but everyone's in the same boat after June 30. The related party rule is the most important consideration. "Anecdotally, there are reports of people making informal arrangements with each other," he says.

However, the new restrictions, says Fox, largely mean that investors have little choice but to put their money into the share market instead.

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