

circulation. Subsidized postal rates have enabled Canadian magazines to reach a widely dispersed readership.

28. Section 19 of the *Income Tax Act* allows a deduction for advertising directed at the Canadian market. Code 9958 of the *Customs Tariff* restricts the importation into Canada of periodicals whose advertising has been purchased especially to reach a Canadian audience. The general objective of these measures is to help the Canadian periodical industry raise advertising revenues. Code 9958 ensures the achievement of this goal, with section 19 of the *Income Tax Act*.

29. The Task Force on the Canadian Magazine Industry was established as a result of the anticipated publication of *Sports Illustrated Canada*. *Sports Illustrated Canada* was a split-run edition that was printed in Canada using text that was electronically transmitted from the United States. The editorial content of *Sports Illustrated Canada* was largely the same as the content in the American editions of *Sports Illustrated* but it contained advertisements that had been specifically purchased to reach a Canadian audience. Code 9958 of the *Customs Tariff* was not applicable to *Sports Illustrated Canada* because it was printed in Canada rather than being imported.

30. The emergence of *Sports Illustrated Canada* as a new split-run edition revealed the limitations of Canada's existing policy instruments. Accordingly, the Task Force was created to recommend ways to bring these policy instruments up to date. The Task Force's main recommendation was that an excise tax be imposed on advertising contained in split-run editions of periodicals that are distributed in Canada.

31. The object of the excise tax is not to discourage readership of foreign magazines, but to maintain an environment in which Canadian magazines can exist in Canada alongside with imported magazines. It is also intended to foster conditions in which indigenous magazines can be published, distributed and sold in Canada on a commercial basis. The tax is consistent with the broad principles of the cultural and media policies of successive federal governments.

## E. Description of Canadian Measures

### 1. Part V.I of the *Excise Tax Act*

32. Amendments were made to the *Excise Tax Act*<sup>17</sup> to impose an excise tax at the rate of 80 per cent of the value of all advertisements contained in a split-run edition of a periodical. The legislation defines the term "split-run edition" and also contains a provision that sets out

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17. *An Act to amend the Excise Tax Act and the Income Tax Act*, S.C. 1995, c. 46 (U.S. First Submission, Exhibit D). As in the U.S. First Submission, all further references to this Act are to sections of the *Excise Tax Act*, R.S.C. 1985, c. E-15 as amended by S.C. 1995, c. 46.