

INTRODUCTION

BACKGROUND

The issue of the taxation of the arts is not new in Canada. Fifteen years ago, the Department of the Secretary of State began to study the matter when a number of problems had become apparent in the tax treatment of Canada's artists.

In the mid-seventies, the Department commissioned Russell Disney of Touche Ross to examine the issue. Mr. Disney had served for ten years as the treasurer of the Canadian Conference of the Arts. His 1978 report was a perceptive analysis of artists' lives and it made a number of far-reaching recommendations.

None of Disney's recommendations were implemented. Cabinet reviewed the report and referred it to a committee of officials from Secretary of State, Finance, Revenue Canada Taxation, Revenue Canada Customs and Excise, Employment and Immigration, and the Privy Council Office. This committee considered the report for two years but the various officials could not agree among themselves.

In the intervening years, some of the issues studied by Disney have remained as outstanding problems. New issues, such as the taxation of visual artists, which had not presented difficulties in the 1970s, also bubbled up to the surface and threatened to spill over in 1983.

In the intervening years, cultural policy advanced more positively, especially with the appointment and subsequent report of the Federal Cultural Policy Review Committee, popularly called the Applebaum-Hébert Report. That committee signalled the growing interest in and concern for the arts in Canada. It did not focus on taxation matters in any detail but it did respond to concerns from the artistic community. It urged the implementation of the Disney report in the interests of equity and fair treatment and reminded the government of continuing problems in this area. The report stated: