

progress in regard to actors and actresses, the status of other performing artists, particularly orchestral musicians, is unclear and susceptible to whimsical, anomalous and inconsistent interpretation. The remainder of the Disney Report recommendations similarly merit attention, and we use these two examples merely to highlight the need for overdue action.

In this, and in other matters, we feel it important that the Standing Committee on Communications and Culture and the arts community be consulted in the process. In that you have the power to call witnesses to appear before you, we expect that you will choose to exercise the option of calling before you appropriate senior officials of the departments of Finance and Revenue Canada Taxation. We look to this as a means of encouraging consultation and action.

Expectation of Profit

One of the problems which has arisen recently is the issue of expectation of profit. Most of the cases which are currently under review by Revenue Canada Taxation relate to this question, and it is a serious one.

Most professional artists require a considerable amount of time before they achieve recognition, but recognition does not necessarily reflect itself in substantial financial gain. Indeed most artists are, given the level of income they derive from their work, obliged to seek other income-generating employment in order to exist and to subsidize their art. Teaching in their field is often the logical choice, as it provides them with salaried employment closely allied to their work as artists as well as an income against which they may claim deductions for expenses or losses incurred as artists. Indeed, in most cases, they would not be employed as teachers were they not practising artists.

For at least the last decade, artists have been filing consistently and in good faith in this manner, and Revenue Canada Taxation has accepted this approach. Last year, however, and despite the fact that the law had not been changed in this respect, Revenue Canada Taxation began reassessing artists in a new and harsher manner and without prior notification, and disallowed expenses or losses claimed during the years being reviewed.

The logic employed by Revenue Canada Taxation in these cases is that if no expectation of profit can be established, then the individual is not carrying out a business for which expenses or losses may be claimed. The activity is then deemed a personal one, a "hobby", and therefore ineligible for tax consideration. In determining expectation of profit, Revenue Canada Taxation employs a short time-frame of between three and five years. By this standard, most individual artists would, for most of their lives, be deemed "hobbyists", whatever other recognition and reward they may have achieved to suggest the contrary.