

visual artist because of the requirement that the artist value his or her inventory. This section of the Report will recommend that inventory valuation be discontinued.

The Disney Report understood that Revenue Canada was willing to establish as administrative policy that no value should be ascribed to uncommissioned and unsold work in process and to finished product inventory. Apparently this practice was never implemented, or has subsequently changed, and a degree of confusion among visual artists has ensued over the contents and value of their inventory.

Visual artists were unanimous that full inventory valuation is inappropriate to the sector. Delaying the deduction of some or all expenses until the products are sold is suitable for a typical manufacturer whose turnover is rapid and reasonably predictable and who can liquidate unsold inventory easily. For visual artists, such delay can mean carrying expenses for an indefinite period, given the uncertainty of the art market. Because most visual artists are by no means wealthy, the economic burden of these expenses can be great.

The Sub-Committee agrees that inventory evaluation is inappropriate for visual artists and urges that Revenue Canada adopt the system envisaged by the Disney Report. The Sub-Committee has concluded that the cash system, or modified accrual, should be available to visual artists as it is for farmers and fishermen. The Sub-Committee recommends that the department make these changes administratively to the greatest extent possible. Departmental representatives appearing before the Sub-Committee indicated a willingness to follow this course.

In the long term, it may be that a statutory change is either desirable or required. The Sub-Committee has concluded that section 28 could be amended to effect this change or a similar section enacted relating to professional visual artists.

## RECOMMENDATIONS

- 15. That Revenue Canada be willing to assign a nil value to the inventory of professional visual artists;**
- 16. That consideration be given to statutory changes to permit artists to use the modified accrual system at their option.**