

any business deductions that they claim. No tax act or body of regulations can ever attain the degree of certainty that would eliminate the need for all scrutiny.

The Sub-Committee also feels that in a number of instances the specific deductions which some witnesses wish to make may not be prudent in the circumstances. The Sub-Committee notes the testimony of Arthur Drache in this regard:

I have seen an awful lot of the tax returns, the loss returns, and I think that in many cases the claims which are being made are outrageous, to produce the losses which they have got ... [A] person was writing off very large numbers for moving house, automobile expenses, and so on, exactly the kind of expenses, incidentally, that I as a lawyer am very leery of. I might be able to justify it but because I am prudent I do not make the claim. What they are doing, in many cases, is pushing the system as hard as they possibly can to get maximum deductions. (13:39-40)

Where claims are made in which personal benefit overlaps with professional or business activities, it is not surprising that Revenue Canada will investigate. Such expenses as hair styling for actresses, home offices, cars and travel have an element of personal consumption and form part of the grey area between personal and business use.

Problems arising from the provisions of the Act or case law are not so easily or quickly remedied. Wider deductions for university professors, deductions for instrument expenses by symphony musicians who are classified as employees and, possibly, the interpretation of "professional" and reasonable expectation of profit for visual artists and writers fall into this legislative category.

## **CHANGES IN INTERPRETATION**

A variety of witnesses testified that, in their opinion, changed interpretations of the law by Revenue Canada had caused many of the current problems, especially those related to reasonable expectation of profit. Representatives of Revenue Canada insisted that there had been no change in approach. They described a project where the computer had selected the files of taxpayers who had deducted business losses from employment income. In all, 5,900 files were studied. Of these, changes were made to 4,999 returns. Four hundred artists were included in that group. The departmental representatives stressed that they were merely following the law in reassessing them.

The breadth of the project and its impact on so many visual artists and writers in a short time span created the impression that a reinterpretation of the law had taken place. The lack of previous departmental inquiry into artistic losses deducted from other income along with the paucity of case law on the subject no doubt contributed to the conclusion that a new broom was at work.

In the final analysis, the Sub-Committee has concluded that the question is not important. Whether old or new, if the current interpretation of reasonable expectation of profit as applied to visual artists and writers is inappropriate or harmful, it should be changed.

## **RETROACTIVE ASSESSMENTS**

Being labelled hobbyists insulted artists' professionalism and feelings of self-worth. Being retroactively reassessed for four years, however, attacked them where it hurts the