

*Income Tax Act*

of this is, or whether there is any other relevant section. One letter reads in part: . . . the department has seen fit to place us in the category of "piece workers" or as in a "master-servant" relationship.

**An hon. Member:** How do you spell it?

**Mr. Macdonnell (Greenwood):** He spells it p-i-e-c-e. The letter continues:

This means we are allowed no business deductions, even though we may incur very heavy responsibilities for music, equipment, reference material, travelling expenses. Neither can we receive such direct employee benefits . . .

And so on. The next letter adds something which is of interest. First of all it makes the same complaint. It reads in part:

This means we are allowed no business deductions, even though we may incur very heavy responsibilities for music, equipment, reference material, travelling expenses.

Further on the letter continues:

Surely, sir, Canadian artists have had a singular struggle to gain recognition and a not too steady income without being burdened with unjust and illogical taxation. Both in the United States and in Great Britain the professional status of the free lance artist is recognized.

First of all I merely want information from the minister as to how far what I have read is accurate. Then I should like to suggest what seems to be a reasonable attitude, but I will wait first of all to hear if that is an accurate statement of the position.

**Mr. Abbott:** It is a new thought to me. I had not realized that there were special problems of the artistic profession. They would get some relief of course under subsection 3 of this section, where an officer or employee is ordinarily required to carry on his employment away from his employer's place of business and under the contract of employment was required to pay the travelling expenses incurred by him in the performance of the duties of his office or employment.

**Mr. Macdonnell (Greenwood):** Does that not refer to an employee?

**Mr. Abbott:** I am assuming that an actor in a travelling theatrical company would be paid a salary.

**Mr. Macdonnell (Greenwood):** In the cases I am bringing to the minister's attention they are free lance artists.

**Mr. Abbott:** In that case they are just the same as any other self-employed person. They gross up their income and deduct their expenses just the same as a lawyer, doctor, engineer or anybody else. If they are not on salary, if they are self-employed, they are entitled to deduct expenses wholly and necessarily incurred for the purpose of earning the income.

**Mr. Macdonnell (Greenwood):** How does the minister explain what I understand to be the fact, that these persons are not allowed any business deductions even though they may incur heavy expenses for music, equipment, reference material, travelling expenses and so on? As I understand the minister, those would be the kind of things that could be deducted.

**Mr. Abbott:** It was brought to our attention that in certain cases musicians, for instance, were required to provide music under the terms of the contract and were required to provide certain other things. Under the amendment that we have here they may be able to deduct these things from their salary. In certain cases if they have to be absent for any reason, and have to provide a replacement, then under the amendment they are entitled to charge whatever they pay for their replacement.

**Mr. Macdonnell (Greenwood):** Let me go a little further. These people seem to have been harshly treated. Perhaps they have never had a sympathetic minister to speak to before.

**Mr. Abbott:** Perhaps they have not had very sound tax advice. I do not know.

**Mr. Macdonnell (Greenwood):** To carry this matter further, people of this kind would have agents' commissions. They might have advertising expense. They would have repairs to musical instruments, and so on. Again, would all these things not be of the kind or nature which might be deducted by a self-employed person?

**Mr. Abbott:** As my hon. friend knows, mixed questions of fact and law are involved in these cases, and without knowing the precise facts of the individual case it is very difficult to give a definite opinion. The general rule is that a person who is self-employed grosses up what he receives in fees or other remuneration and deducts from that the expenses which he has been obliged to incur to earn that income. Of course they must be wholly and necessarily, and all the rest of it. It is a mixed question of fact and law, and I would find it extremely difficult to give a firm offhand opinion as to what the result would be in a particular case. If my hon. friend will give me the particulars of this case, I will have it carefully looked into. I do not want to give an offhand legal opinion here.

**Mr. Macdonnell (Greenwood):** Is the full statement of the law contained in this section? If not, would the minister let me know whether there is anything else that is applicable?