

The line between business expenses and personal living expenses is difficult to draw in some cases. Different assessors may reach different conclusions in situations which appear similar. This may indicate two things: undesirable inconsistency or valid differences in cases. Increased expertise in the arts by Revenue Canada should help to resolve these areas of dispute and eliminate undesirable inconsistency where possible.

The Sub-Committee has concluded that some incidents of disallowed expenses could have been avoided if Revenue Canada officials had been better informed about the performers' work and more knowledgeable about the expenses incurred. Representatives of the department and the performing arts community need more regular consultation and the Sub-Committee urges that this be started at once.

The Sub-Committee stresses that the onus must remain with taxpayers to justify their deductions. Furthermore, the Sub-Committee cannot recommend ways to eliminate all possibility of friction in individual cases.

There is one specific deduction the Sub-Committee wishes to comment on. Most performing artists take lessons in the course of their careers, the motives for which will vary from performer to performer. Even the most accomplished musicians take lessons to retain their high skill level. An actor may take singing lessons in anticipation of a role which may or may not later materialize. Actors or singers may be engaged for a specific role and require lessons related directly to the performance of that role. Although the lessons in each of those three cases are clearly related to the performers' profession, only the third may be deductible.

Current Departmental practice is found in Interpretation Bulletin 311. Paragraph 1 permits the deduction of "the cost of music, acting or other lessons incurred for a particular role or part." Paragraph 2 prohibits the "cost of music, acting or other lessons incurred for the purpose of general self-improvement" on the grounds that they are either capital items or personal and living expenses.

The Sub-Committee finds the distinction between general and particular lessons in the Bulletin unrealistic and arbitrary. This kind of deduction parallels that allowed self-employed professionals such as lawyers or doctors who attend courses and workshops to stay current or expand their skills. Lawyers do not need to relate their courses to cases they are concurrently handling, nor doctors to the management of a specific patient. The Sub-Committee therefore recommends that self-employed performers be put on the same footing as other professionals so that all lessons related to their work are deductible.

RECOMMENDATION

- 21. That the cost of music, acting or general lessons be deductible for self-employed performers even if unrelated to a particular role.**

THE SYMPHONY MUSICIAN: A SPECIAL PROBLEM

"... we have a messy situation dealing with musicians."

Don Brooks, Revenue Canada (16:24)