

There is an *economic* justification for proposing tax changes. Repeated and ample evidence was given that Canada's visual and performing artists and writers experience significantly different economic conditions than other Canadians. The markets for their works are uncertain, especially for the most experimental of their number. Prices paid for their efforts fluctuate beyond their control. Their level of training and expertise is very high, but commensurate economic returns are often deferred far into the future. Heavy expenses must be borne in the meantime. Individuals must often subsidize their work, most typically by taking employment in addition to their creative activities. Even when success does come, the ratio of their expenses to their income remains high.

To treat Canada's artists and writers in the same way as other business taxpayers is not economically equitable. It is possible to build on current tax policies to reflect artists' experiences *and* business practices.

In contrast, some witnesses urged that tax changes be purposely designed to foster the cultural sector because of its unique contribution to Canadian life. Although the Sub-Committee is sympathetic to this approach and understands the sentiments behind it, it has serious doubts that the *Income Tax Act* is the vehicle to effect such a policy. A positive cultural policy from other departments and agencies is the active ingredient to provide artists with a decent standard of living and a widespread market for their works. Taxation policy can reinforce these goals, but cannot achieve them in itself.

The Sub-Committee's approach, therefore, has been two-fold. First, it suggests proposals designed to reflect artists' economic circumstances. Secondly, it leaves more active forms of assistance to other groups and branches of government.

## EDUCATION AND TRAINING

"We certainly are going to issue instructions shortly, through our people, saying: as a very minimum, you have to ask these questions."

"There have been cases ... where we have looked at them and said: My God, you cannot do that!"

John Roberston, Director General, Audit Directorate (16:12)

Both Revenue Canada and Finance need to bolster their internal departmental expertise on the nature of artistic activity.

A quick look at Revenue Canada's Taxation section in the government telephone directory for the National Capital Region reveals the following specialized sections: partnerships and professions, mines, oil and forest industry, farm income, finance, insurance and leasing, merchandising and manufacturing, public utilities, and construction. Artists and writers are not included. The arts community need not feel affronted by the lack of a special section since many groups are not specifically named. Nor is there a specialized unit at the Department of Finance. This lack may be symbolic of what has appeared to the Sub-Committee to be a very real dearth of expertise and understanding of the arts.

A number of faults emerged with the assessing system. The practice of retroactively assessing for a four-year period will be discussed below as will certain changes in inventory treatment. Both caused financial hardship and uncertainty in the artistic community. Wit-