

recognized as deductions under the Act and so must be paid with after-tax dollars. Employment contracts along with criteria for hiring and tenure all make clear the necessity for regular, substantial scholarship activities to maintain and advance academic status. In addition, research must often be conducted in order to teach existing or new courses, especially at senior levels. Because little or no revenue or profit can be expected from these activities, there is no possibility of deducting any of these expenses as part of a business. As employees, these academics are therefore limited to the maximum \$500 employment expense deduction. For some, that may be sufficient but for others it does not begin to cover the amounts incurred. This problem has become even more pressing with the tightening of university budgets and the shortage of grants to assist research.

Witnesses requested the Sub-Committee to recommend the amendment of section 8 of the *Income Tax Act* dealing with employee deductions to permit academic expenses as outlined above. The Sub-Committee must again state that its jurisdiction does not encompass these questions. On the other hand, it was impressed by the general similarity between the problems of performing artists classified as employees, especially symphony musicians, and the academics. In both cases the expenses are essential to their employment and greatly exceed those of the typical employee, for whom the standard deduction is normally sufficient.

The Sub-Committee questions the rigid distinction our system makes between the expenses of the self-employed and those of employees. It notes that many other countries including the United States make little or no distinction in this regard; others like France provide a sliding scale of generous deductions for various employment groups that more accurately reflects the expenses of employee taxpayers. It urges further study of this problem to determine whether inequities currently result from employee status and how these questions may be addressed.

RECOMMENDATIONS

- 24. That Revenue Canada develop and exercise expertise in applying the reasonable expectation of profit test to academic activities where the application of the test poses the same kinds of problems that were identified for the professional visual arts and writing;**
- 25. That the government address the question of employee deductions in general with a view to assisting those groups whose expenses demonstrably exceed the standard deduction now permitted.**

DISSENTING OPINION BY MR. ORLIKOW: TAXATION AND ACADEMICS

Though the reluctance of the Sub-Committee in not addressing the question of the tax situation of Canadian academics can be understood given its mandate, the Sub-Committee is leaving the way open for the continued discouragement of the research and academic community by not dealing with this problem.

As the testimony of the Canadian Association of University Teachers (CAUT) and other groups indicates, Revenue Canada often appears unable or unwilling to understand how academics really function and how teaching and research are interrelated.