



CANADIAN ARTISTS REPRESENTATION /
LE FRONT DES ARTISTES CANADIENS

ADVISORY NOTE

GST AND ARTISTS

A Summary of the Guide on Arts and Entertainment

by Peter Oliphant and Robert White

Registration

If your gross income from professional fees, commissions or sales in Canada exceeds \$30,000 you must register to collect GST. If it is less, you may register. Grants, subsidies, gifts and salaries you may receive are not included in this total. Appendix A lists examples of the things that are taxable.

Registration means not only that you must collect and remit collected tax to Revenue Canada, but also that you can claim a refund of tax paid by you on any of your purchases. If you do not register, you need not collect the tax, but you will not be able to get back the tax you pay.

As well, the government has offered credits of from \$300 to \$1,000, which are an incentive to registration. These are not available unless you register.

If you register, you will receive of form from Revenue Canada on which to declare your tax paid and collected. The normal reporting period is every three months, unless you are in the unlikely position of having more than \$6 million of taxable gross income. You may choose to report only annually at the time you file your income tax return, but you must inform Revenue Canada that that is what you intend to do. Even then, you must pay quarterly installments calculated to equal the amount for which you would be liable at the end of the year.

The reporting year is the same as your fiscal year. This may result in your first return being required for a period of less than three months, since you will receive the form at the end of a quarter, even if you register during the quarter.

The same question "Are you an independent artist or an employee?" must be answered here as in preparing income tax returns. Registering for GST may add credibility to your claim to be operating a business, rather than indulging in a hobby. It could thus bolster your income tax position, as defined in Revenue Canada's Interpretation Bulletin IT-504R, "Visual Artists and Writers."

Orchestral musicians need to consider whether they are free-lance or employees. Whether the orchestra issues T4's to its players will likely determine this issue. If it does, the players are



440-401 Richmond Street West, Toronto, ON, M5V 3A8
p: 416.340.8850 / 1.800.890.8850 f: 416.340.7653
carfacontario@carfacontario.ca / www.carfacontario.ca

free-lance with respect to contracted solo performances or contracted services to another orchestra. e.g., in a pick-up situation.

There are special rules for non-residents performing in Canada.

Taxable Expenditures

Everything you buy is subject to tax, with a few exceptions.

Rented Instruments, etc. - If you rent instruments or equipment under a contract that was dated prior to August 8, 1989 and which has not been changed since that date, you will not have to pay GST on the rental payments.

Leased Automobiles - Lease payments will not be subject to tax, if the automobile was rented and delivered under a contract signed before the beginning of 1991, and the contract expires before 1994.

Membership Fees – Each artist’s organization must make its own decision on whether or not to charge GST on its membership fees. There are certain rules about this which are of little importance to you. If you are registered for GST, any tax on membership fees may be reclaimed. Union fees are exempt.

Taxable Revenues

You must charge tax on professional services rendered after the beginning of 1991, unless you expect to have revenues of less than \$30,000 and have not registered. There are some special situations.

Performance Fees – Fees for performances after January 1, 1991 that were contracted between August 1 and December 31, 1990 will be subject to tax, even if they are part of a series.

Commissions and Payments Received in Advance of 1991 – If an artwork, composition or performance is produced or presented after the beginning of 1991; tax must be collected, whether or not the tax was included in the proposal leading to the commission. Publishers’ advances made between August and December 1990 will be taxable, if the work to which they relate is published in 1991 or later.

Work Completed in Advance of 1991 – If nearly all of a sale or performance took place before 1991, and payment is received before May 1, 1991, no GST need be charged. An announcer might be hired for a series of advertisements: if 90% or more of the series took place before 1991, it would fall under this rule.

Invoicing – Appendix B shows what must be on an invoice that includes GST for services. Note that in Ontario any Provincial sales tax must be charged only on the amount of the invoice before GST.

Agents and Impresarios

You are the person for whom your agent is presumed to be acting. Therefore you, not your agent, are responsible for properly handling GST matters. That does not mean that you cannot ask an agent to look after it, but you should ensure that the agent does it properly. There may be remedies when the agent does not follow the rules, but it would be better not to have to invoke them

So far as you are concerned, the value of a work of art for sale in a gallery is the amount you expect to receive when the work is sold. If the work is sold, you will bill the gallery for GST on that value, no matter what the gallery charges the purchaser for the work.

If an impresario charges a commission for arranging a concert, the impresario will charge the club for GST on the contract price and will charge the musician GST on his commission. The musician must pay the government the difference between the GST collected from the club and the GST paid the impresario on his commission.

Copyright Collection Agencies

Copyright collection agencies must collect GST, but the amounts they remit to you are free of GST, so far as you are concerned. However, you should keep track of the amount of such receipts. since their total must be included with your other professional income in calculating the \$30,000 limit requiring registration.

Refunds – Special Situations

Refunds of GST are available only to those who have registered.

Refunds are claimable on all purchases directly related to your work. As with income tax, some “office in the home” expenses may be included in the calculation. The question to be asked is whether 50% or more of the expense is for professional purposes. If so, you may claim that percentage of GST paid on all such expenses.

Musical instruments come under special rules. If you use the instrument more than 50% of the time for professional purposes, you may claim 100% of the GST, not just the percentage of use. Even if you are not registered for GST and are deemed to be an employee of an orchestra, you may claim some GST: it is best to seek advice on how to handle this.

The “Quick Method”

Unless your expenses are less than 25% of revenues, the so-called “quick method” for calculating tax is likely to send more money to the government than if the GST is calculated from invoices paid.

It is important to act in a business-like way, if you are to be treated as a business for income tax purposes. This means keeping proper records; if that is done, the calculation of GST

refunds will not be difficult.

Appendix A

Examples of Taxable Services and Products:

- Tickets for performances of music, plays, operas, ballets , and night club gigs.
- Entry fees for cinemas, museums, and art galleries.
- Services of free-lance musicians, artists and interpreters.
- Private lessons – painting, acting and dance – other than ones given under the authority of a school or college leading to a credit or according to a prescribed curriculum.
- Illustrations, books, films, video, copyright fees, reviews and magazines.
- Musical instruments, props, makeup and costumes

However, the following is not taxable:

- Tickets for amateur performances.

Appendix B

Invoices for Professional Services and Sales:

Requirement	Under \$30	Up to \$ 150	Over \$150
Vendor's name	X	X	X
Date when GST paid or payable	X	X	X
Total Fee or sale price	X	X	X
Separation of GS-taxable items and amount of GST		X	X
Vendor's GST registration		X	X
Name of the purchaser		X	X
Brief description of service rendered or item sold			X

ALAS is a summary advice service for artists of all disciplines. Appointments with a lawyer may

be made by calling the Toronto or Ottawa office.

**ALAS c/o CARFAC,
401 Richmond St. West, Suite 440, Toronto, ON, M5V 3A8
Phone (416) 340-7791**

**ALAS (Ottawa)
189 Laurier Ave. E., Ottawa, On, K1N 6P1
Phone (613) 567-2690**

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