

ACTRA
Alliance of Canadian Cinema,
Television and Radio Artists

Written Submission to
The House of Commons Standing Committee on Finance
Pre-budget Consultations 2007

September 14, 2007

Executive Summary

ACTRA (Alliance of Canadian Cinema, Television and Radio Artists) welcomes the opportunity to make a submission to the Standing Committee on Finance in its pre-budget consultations for 2007.

ACTRA is the union of more than 21,000 professional performers in the English language in Canada in recorded media: film, television, radio and digital media. ACTRA also represents the interests of thousands of musical artists through its work collecting and distributing royalties from the distribution and radio play of music by singers and musicians. ACTRA has represented the interests of professional performers for more than 60 years. ACTRA's principle function is bargaining collectively on behalf of our members. ACTRA is a leading advocate for Canadian culture and a strong national identity.

The soul of a nation is its culture. Television, film, and increasingly, digital media audiovisual productions, remain the most pervasive media for cultural expression in our society. Growth and stability of this sector is due in large measure to funding programs that rely on government contributions. Without these funding programs, there would be no base for growth and fewer jobs for Canadian creators, risking the loss of our national culture and identity.

Summary of recommendations

ACTRA has three recommendations to the Standing Committee on Finance for inclusion in the next federal budget, in priority:

1. Make a commitment to stable, long-term funding for the Canadian Television Fund (CTF), Telefilm and the Canadian Broadcasting Corporation (CBC).
2. Institute a system of income averaging over a five-year period, as a method of providing fair and equitable tax treatment for self-employed Canadians and change the *Income Tax Act* to exempt creative and interpretive artists from paying income tax on a percentage of income derived from copyright, neighbouring rights, and/or other income derived from the sale of any creative work.
3. Increase the Canadian Film or Video Production Tax Credit (CFVPTC) from 25% to 30% as recommended in the Finance Committee's pre-budget consultations report in 2004 to maintain appropriate support to Canadian productions, and keep the Production Services Tax Credit (PSTC) rate stable and broaden the base to contribute to the growth, stability and competitiveness of the Canadian film and television production industry.

Recommendation 1**Make a commitment to stable, long-term funding for the Canadian Television Fund (CTF), Telefilm and the Canadian Broadcasting Corporation (CBC).**

The Canadian television industry was thrown into uncertainty this year by the brash actions of Shaw and Vidéotron in their refusal to pay regulated contributions to the CTF. Their actions prompted the Standing Committee on Canadian Heritage to review the CTF. The CRTC struck a Task Force to try to resolve the concerns of the cable companies. Fortunately for now, the cable companies' CTF contributions have resumed, though withholding contributions has made the fund vulnerable. This threatens a crucial sector of our economy, and the jobs and livelihoods of many, from actors, writers and directors to producers, crew and the businesses and suppliers that benefit from television production in their community.

This CTF debacle was unnecessary, yet illustrates perfectly the precariousness of many of our publicly funded institutions.

The CTF is essential to financing most of Canada's production output of high quality, distinctively Canadian programming for television. Canadian drama is produced on location throughout Canada and contributes significantly to local economies through job creation and spending.

ACTRA appreciates the government's annual \$100 million commitment to the \$250 million CTF, and asks that this commitment be made a permanent commitment.

Government funding through Telefilm Canada is crucial to ensure films written, directed and performed by Canadians continue to be made and seen by Canadian audiences. Telefilm-supported films accounted for 83.2% of the total Canadian box office revenue for Canadian films. Telefilm notes in its annual report that at current funding levels it is more and more difficult to fund the volume of production needed to forge audience loyalty here at home and abroad.

The CBC's role within the broadcasting system has been weakened by chronic under-funding. Long-term strategies are jeopardized because of continued uncertainty about future funding levels. The public broadcaster must be given the resources and stable, multi-year commitments it needs to meet its obligation to reflect and promote Canada's national identity with new Canadian dramas, comedies and other programming.

Long-term and stable government commitments to the CTF, to Telefilm and to the CBC are essential for providing strength and certainty to these institutions so that they can carry out their mandates effectively. The Canadian Conference of the Arts and other organizations also support stability for our cultural institutions.

The Finance Committee itself has recognized the need for reliable public funding, in its report dated December 2006. "The Committee feels that there is a need for increased federal support of the arts and cultural sector... and believes that support should be predictable, stable and long term." The Committee recommended in Recommendation 22 that "The federal government increase funds allocated to the arts and cultural sector. In particular, funding increases should be considered for the Canada Council for the Arts, the Canadian Broadcasting Corporation, the Canadian Television Fund and Telefilm Canada."

Recommendation 2

Institute a system of income averaging over a five-year period, as a method of providing fair and equitable tax treatment for self-employed Canadians and change the Income Tax Act to exempt creative and interpretive artists from paying income tax on a percentage of income derived from copyright, neighbouring rights, and/or other income derived from the sale of any creative work.

"... the largest subsidy to the cultural life of Canada comes not from governments, corporations or other patrons, but from the artists themselves, through their unpaid or underpaid labour."

- Applebaum-Hébert Report, 1982

The arts are an integral part of our social environment that enrich and reward our society. The arts are also a significant sector of the Canadian economy. The film and television industry in Canada, which represents only a portion of the economic contributions cultural industries make to our economy, was valued at \$4.8 billion in 2005-06, employing 124,300 people.

Performers and other self-employed creators are highly motivated self-starters that contribute to Canada's national identity by writing, telling and performing stories about Canadians for Canadians. Our cultural industries are dependant on the creativity of self-employed artists and performers.

It is very difficult to make a living as a professional artist in Canada, due to the vagaries of the industry and unfair tax rules. The average income of artists in this country is less than \$25,000 a year. Performers and others who are self-employed in the arts and media do not benefit from the same social programs as employees. Artists earn their living through a series of short-term engagements, leading to uncertain and variable income. Self-employed artists endure a tax disadvantage because they end up paying tax at a higher rate in a good year, even though the good year was preceded and followed by years of reduced income. Tax averaging artists' income would rectify this unfairness.

UNESCO has reported that income averaging for cultural professionals such as performers and artists is practised in Germany, Denmark, the Netherlands, Greece, France, the United Kingdom and Luxemburg. In Australia, the Income Tax Assessment Act allows artists with fluctuating incomes to average their income for tax purposes for a period of up to five years, as a measure "to alleviate detrimental tax implications where a performer might earn a good income in one year but receive little performance related income in other years." The tax measures implemented in 2004 in the Province of Quebec included a provision for tax averaging for performers and other artists that will allow them to defer the tax on a portion of their income. Artists in Quebec who acquire an eligible income averaging annuity will be able to spread their income over a maximum of seven years.

Until 1982 when tax averaging was abolished in Canada, self-employed workers could spread their taxes over more than one tax year so that they were not penalized by the system while others benefited from lower taxes on regular incomes and could rely on benefits for unemployment.

The reaction to income averaging in Canada has been favourable with experts in the field recommending that it be reinstated. The Carter Commission's 1968 study of the Canadian

tax system endorsed income tax averaging implementation as the only progressive and fair approach to 'lumpy' income.

ACTRA is not alone in seeking income averaging and tax exemptions for copyright or residual-derived income. The Canadian Conference of the Arts and the Writers' Guild of Canada and others have long championed this kind of artistic exemption.

Artists need fair and equitable tax laws that encourage creativity and value cultural productivity.

ACTRA is also asking the government to allow an income tax exemption for professional artists, including film and television performers, on a percentage of income derived from copyright, neighbouring rights, and other income derived from the sale of any creative work. The precedents are there for this kind of exemption. Ireland has an absolute exemption for income tax for creators and other artists and an exemption is in place in the province of Quebec.

Recommendation 3

Increase the Canadian Film or Video Production Tax Credit (CFVPTC) from 25% to 30% as recommended in the Finance Committee's pre-budget consultations report in 2004 to maintain appropriate support to Canadian productions, and keep the Production Services Tax Credit (PSTC) rate stable and broaden the base to contribute to the growth, stability and competitiveness of the Canadian film and television production industry.

The Finance Committee's report in 2004 recommended that the CFVPTC be increased to 30%. We ask that this committee renew that recommendation.

The CFVPTC is an important force behind Canadian television drama and other production that furthers cultural goals and contributes to the Canadian economy. The CFVPTC should be increased to keep pace with provincial tax credits and to encourage Canadian production using Canadian creative talent.

With the strength of the Canadian dollar and competitive tax credits in many states in the U.S., Canada faces stiff competition in attracting foreign film and television production. This is compounded by mounting political pressure to keep productions in Hollywood. Canada must remain an attractive and competitive location for foreign productions. To encourage foreign productions, all expenditures on Canadian goods and services, not just labour costs, should form the base of the Production Services Tax Credit (PSTC). The PSTC rate should be maintained at no less than its current level of 16% of Canadian labour expenditures.

Conclusion

ACTRA is asking the committee to support funding and federal tax programs that are necessary to keep Canadian cultural industries competitive in our domestic market, as well as internationally. We have asked the committee to support existing and implement new tax measures and personal tax exemptions that will benefit the livelihoods of working artists and performers in Canada and by extension, our cultural identity. The programs that ACTRA has asked the committee to support are essential to maintaining necessary cultural infrastructure in Canada. Finally, the recommendations that ACTRA proposes for the committee are achievable within federal expenditures.

ACTRA requests the opportunity to appear before the committee during its public hearings. We want to thank this committee for its past support and ask that it again endorse support of culture in its report.