

# 6 TAX PLANNING QUESTIONS FOR CANADIAN MUSICIANS

The [entire entertainment and media market in Canada](#) was valued at 54.6 billion Canadian dollars in 2015, 56 billion a year later, and is predicted to grow by another eight billion by the end of 2020.

Are you a performing artist, composer or producer in Canada? Listen up! It may seem like tax season is a long way off, but there is no time like the present to ensure the proper planning is in place to allow you, your fair share of that 56 billion dollar pie.

## 1 ARE YOU AN EMPLOYED ARTIST?

If you earn employment income from artistic activities, you are eligible to deduct certain employment expenses to the extent you engage in any of the following artistic activities:



- Composing a literary, dramatic or musical piece
- Performing as a musician, singer, actor or dancer in a dramatic or musical piece
- Performing an artistic activity as a member of a professional artist's association that is certified by the Minister of Canadian Heritage, or
- Creating an original painting, print, etching, drawing, sculpture, or similar work of art

## 2 ARE YOU A SALARIED EMPLOYEE OR SELF EMPLOYED?

What expenses you can claim as a deduction on your income tax return depends on your status as a self-employed artist or salaried employee (employed artist).

### SELF - EMPLOYED ARTISTS:

Generally control their own work and schedule, contract with different clients, and earn income from a variety of sources. Artistic activities are considered a self-employed business for these artists, to the extent you are operating with a reasonable expectation of profit. In this case, you are entitled to deduct most reasonable business expenses incurred in connection with earning the related business income.

### SALARIED EMPLOYEE (employed artists):

Generally works for one organization or company that pays a regular salary for writing or performance work. Salaried employees are more limited in the types and amounts of expenses they can deduct.



## 3 WHAT ARE ELIGIBLE EXPENSES FOR THE SELF-EMPLOYED?

If you are a self-employed artist (i.e. you write or perform music), some of the business expenses you can deduct include:

- Renting rehearsal space
- Maintaining part of your home for professional purposes
- Leasing or renting musical or recording equipment
- Insurance premiums, maintenance, repairs, and interest paid on musical equipment and instruments
- Professional development or industry-related periodicals
- Recording costs
- Professional membership and union dues (i.e., SOCAN)
- Manufacturing merchandise (t-shirts and CDs)
- Amounts paid to hire an assistant or substitute performer
- Commissions paid to an agent or manager
- Travel expenses incurred for work-related purposes, both in and out of town
- Costs associated with publishing agreements, such as royalties
- Legal and accounting fees relating to your business
- Depreciation of instruments, sheet music, scores, scripts, transcriptions, arrangements, recording equipment, and office equipment

## 4 SHOULD YOU REGISTER FOR GST/HST?

If you have decided to turn your musical/artistic activities into a business venture, consider registering to collect federal and provincial sales taxes (GST/HST). As with most businesses, you are generally not required to start collecting GST/HST until you earn more than \$30,000 in worldwide taxable sales over four consecutive calendar year quarters.

SOCAN is not required to charge and remit GST/HST on rights distributions it makes to its members, and as a member, you're not required to collect GST/HST on the distributions paid to you by SOCAN. However, these distributions do form part of the taxable sales calculation, noted above.

Registering to collect GST/HST can allow you to recover all (or a portion) of the sales tax you incurred on business expenses. Something to consider when you have a significant amount of business expenses.

Remember Quebec PST follows similar rules as for GST/HST purposes. Separate PSTs are also imposed in Manitoba, Saskatchewan and BC but generally don't apply to the sale of intangibles.



## 5 ARE YOUR GRANTS AND PRIZES TAXABLE INCOME?



The Canada Revenue Agency generally considers grants and bursaries to be taxable income. However, some exemptions exist. Specifically, tax laws permit an exclusion from income for certain grants (scholarships, fellowships, bursaries, or similar prizes) to be used in the production of literary, dramatic, musical or artistic work. This is commonly known as the "art production grant exception". Funds from qualifying awards are tax exempt.

## 6 HOW CAN CROWE SOBERMAN MAKE YOUR JOB EASIER?

Creative professionals in Canada are expected to pay income taxes if they earn a profit from their activities, but smart and accurate record keeping can help significantly minimize the burden. Planning ahead and speaking to a tax professional can relieve you of certain stresses in the long run.

[Crowe Soberman's Sports and Entertainment team](#) has the specialized experience to assist with the most complex tax and business issues for artists, musicians, and more, and would be happy to help – contact a member of the team for more information.

