



CORPORATE PURCHASES OF CANADIAN ART

As a Canadian corporation purchasing Canadian artwork, you may treat your art acquisition as a capital asset for tax purposes, and **in 5 years write off 100% of the purchase value.**

The following art items purchased by corporations and where the artist was a Canadian at the time the property was created are eligible to be set up as a capital asset and depreciated at a rate of 20% per year (Class 8) on a declining basis.

- a) A print, etching, drawing, painting, sculpture, or other similar work of art, the cost of which to the taxpayer was not less than \$200.
- b) A hand-woven tapestry or carpet or a handmade applique, the cost of which to the taxpayer was not less than \$215 per square meter.

This information is based on Canadian Income Tax Regulation 1102(1)(e) and 1104(10)(a). The capital asset treatment for tax purposes is designed to apply where your company would purchase a piece of original Canadian art for display in its offices / business's premises. The rationale is that displaying the art in your company's premises is "good for business" – indirectly, it would help your company to generate revenues over time by helping create a positive corporate image and office impression.

If your company bought the piece of art to use as a gift with a business motivation – i.e.: if it were provided to a key customer as a "thank you" gift, or say to a key employee as an employment incentive for reaching a certain target, then the purchase of the art by the company should **qualify for a full 100% tax deduction in the year of the purchase**, just as other client promotion expenses or remuneration expenses would be treated.

If, however the gift was for personal purposes, i.e.: for the shareholder to give as a personal gift to a friend, then there would be no tax deduction to the company for the purchase, either as a CCA deduction over time, or straight 100% immediate tax deduction. In this case, the purchase would simply be a "shareholder draw" by the individual, from the company, with no tax benefit to the company.

If there is a business reason associated with the gift, then there is still a tax advantage to the purchasing company, even more so than if the artwork is being purchased for display in the company's own offices / spaces.

For more information regarding these details please consult your corporate accountant.

THANK YOU FOR SUPPORTING CANADIAN ART & ARTISTS!

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A handwritten signature in black ink, appearing to be 'MJL' followed by a stylized flourish.