

CANVAS

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CANVASGALLERY.CA

PURCHASING CANADIAN ART AS A CORPORATION

September 15, 2019

Dear Art Buyer,

In order to assist your art purchasing decisions, Canvas Gallery has put together guide for corporate art purchasing tax allowances in Canada.

Enclosed you will find:

1. Guide to Canadian Corporate Art Purchase Allowances and Requirements (below).

Further information for individual collectors can be requested from the Canadian Revenue Services Individual Income Tax Department at 1-800-959-8281.

Canvas Gallery is available at your convenience to assist with your investment in Original Canadian Artwork, at 416.532.5275 or at art@canvasgallery.ca.

Sincerely,

Mark Hunter & Megan Less
Owners, Canvas Gallery

Guide to Corporate Art Purchase Allowances and Requirements

Art purchase by a corporation can be considered as either:

- a) inventory (with the intent to resell), or
- b) capital acquisition (as an investment for display to improve their business environment for clients)

If the purchase is a capital acquisition, it can be claimed as a class 8 capital cost allowance depreciable at a rate of 20% per year.

Purchase must be original artwork by a Canadian artist (citizen or permanent resident). Artwork valued at less than \$200 is a one-time class 12 deduction at 100% of the purchase price. Artwork valued at greater than \$200 can be claimed at 100% of purchase price as a class 8 capital cost allowance depreciable at a rate of 20% per year.

Example: If a painting is \$10,000, the amount that can be claimed each tax year is: Year 1 - 20% of \$10,000 can be claimed as a deduction = \$2000 Year 2 - 20% of \$8000 (the remaining value from year 1) = \$1600 etc.

In the event that the artwork is sold by the business (ie. sale of a corporate asset) there are two different factors to consider depending on whether the artwork has appreciated or depreciated in value.

1. a) If the artwork is sold for less than the remaining undepreciated cost of the artwork, the balance can be claimed as a terminal loss deduction. For example, if \$1000 still remains unclaimed based on class 8 capital cost allowance depreciation rate but the work is sold for \$500 due to depreciation of the artwork, then the remaining unclaimed cost of \$500 can be claimed as a terminal loss deduction.
2. b) More commonly, if the artwork has appreciated in value and is sold for more than the purchase price the amount that has already been claimed as a class 8 capital cost allowance will be subject to recapture. The claimed amount will then be considered business income in the year of sale. The profit from the sale will be subject to capital gains.