Producers still waiting for major tax legislation

TORONTO – Canadian Film and Television Association president Sam Jephcott greeted the minor tax changes announced in last month's budget with two words.

"Big deal."

The "no-news" budget offered little hope to an industry that has been anticipating major tax reform for months. The ministries of Finance and Communications have continued to promise substantial changes to legislation, but so far that has amounted to very little.

"We're still waiting for major legislation," Jephcott said. "If it doesn't happen in this administration we're going to see an even greater decline in production than we've seen already."

A White Paper on Tax Reform released last June dropped the capital cost allowance granted to certified films from 100 per cent to 30 per cent. In December, Finance Minister Michael Wilson countered the strong opposition to this change by eliminating the half-year convention on the CCA, a move many producers considered to be cosmetic. (The half-year convention spreads the benefit of the CCA over two years.)

Uncertainty about what changes producers can expect and when they will come has made for a "disastrous" situation, according to Jephcott. The probability of a federal election in the near future compounds the problem. Although both the CFTA and the Association of Canadian Film and Television Producers have received assurances of action from Wilson's office, it is becoming likely that no new bill will be passed before voters go to the polls.

"Will anything happen before an election?" asked Peter Mortimer, executive vice-president of the ACFTP. "I don't know. We want to believe yes."

Mortimer, who is also the Toronto co-ordinator of the National Ad Hoc Screen Industries Committee, has been pressing the government to phase out the CCA in favour of tax incentives. The NAHSIC plan is to increase the CCA rate to 65 per cent as an interim measure to cushion the industry against legislative shocks.

But Jephcott and the CFTA are more impatient for change. They have proposed moving immediately to a refundable investment tax credit, which would allow producers to invest in their own production for a credit or refund based on the size of the project budget. The NAHSIC proposal, Jephcott says, is "tired, stale, and completely lacking in any sort of recognition of what's needed in tax reform."

Mortimer downplays any differences between producers' associations. "There was never any real split. Jephcott misunderstood the interim nature of our proposal."

The two groups are working towards the same end, Mortimer insists, but with different timeframes. "You can't (replace the CCA) overnight. Abrupt adjustments are the worst thing for this industry." The NAHSIC proposal would see a tax incentive replace the CCA "probably" within two to three years.

The CFTA is employing a full-time researcher to study the implementation of its refundable tax credit proposal.

But Jephcott maintains that the differences between NAHSIC and the CFTA are real and should be acknowledged. "When the split is between positive and negative, good and bad, there is some justification in allowing the split to become visible," he said.

"We still have some accountants, stock promoters etc. forming associations and chairing ad hoc committees."

Political protest in the works in Quebec

MONTREAL – The Quebec wing of the National Ad Hoc Screen Industries Committee (NAHSIC) is determined to campaign against the Mulroney government in the wake of a federal budget (Feb. 10) that did not contain any relief for a film and television production industry in need.

"There was nothing in the budget," says Charles Ohayon, producer and chairman of the Quebec tax reform committee, who had expected an increase in the Capital Cost Allowance (CCA) for certified Canadian film.

NAHSIC was formed shortly after June 18, 1987 when the government pulled the financial rug from beneath the film and television production industry by reducing the CCA to 30

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per cent from 100 per cent.

After many exhaustive meetings with federal government officials to push for reinstated support for the industry, Ohayon says he feels cheated by a budget which offers nothing but an extended exemption from non-resident withholding tax for film, TV and video royalties and interest.

"They told us that they understood our position," says Ohayon. "I remember distinctly Len Faber (Department of Finance) admitting that although 100 per cent is too high, 30 per cent is too low and it is just a question of finding something in between. I had no reason to doubt he was talking to me in good faith."

Not all of the Quebec producers in NAHSIC expected that any more relief would be forthcoming in the February budget. Among the less-than-optimistic producers was Rock Demers, president of the Association des Producteurs de Films et du Vidéo du Québec (APFVQ), who expressed grave doubts that the federal government was listening to NAHSIC when, on Dec 16, 1987, Finance Minister Michael Wilson announced that a half-year convention, which had spread the benefit of the CCA over two years at 15 per cent each year, would be removed from the 30 per cent CCA.

Today, Demers is convinced that the government cares little for the Canadian film and television production industry.

"We had hoped for a further extension of the grandfather clause (for 100 per cent CCA) from Dec. 1987 to Dec. 1988 and we had heard rumors that Telefilm Canada, the CBC and the National Film Board would be getting more money," says Demers.

This disregard for the financial viability of the industry is even more disturbing, says Demers, when one considers that this same government has promised that Canadian cultural industries will not be part of the Free Trade Agreement.

He says there is ample evidence that the government has turned its back on Canadian film and television where free trade is concerned despite promises not to negotiate cultural industries.

"When they told us that cultural industries were not touched by free trade, they were lying," says Demers.

In order to bring its case against the government to the public, three main organizations within NAHSIC – APFVQ, the Canadian Film and Television Association and the Association of Canadian Film and Television Producers – are planning a newspaper campaign of full-page ads for early this month.

"We are buying pages in newspapers to cry or yell at the government, I don't know which," says Demers.

Says Ohayon, "We want to let the public know that as things stand right now there is no hope for the private sector in the film industry. The only ones who seem to understand this is the Quebec government."

On Dec. 18, two days after the disappointing half-year convention announcement Quebec producers found a slight ray of sunshine in an announcement by Gérard Lévesque, Quebec's finance minister, that deductions on investments in Quebec-made films would increase on Jan. 1, 1988, from 100 per cent to 133⅓ per cent.

Based on a miscalculation, this tax break in the Quebec Stock Savings Plan (QSSP) was reduced from 150 per cent on Dec. 11, 1986.

"At least the Quebec government was able to admit it had made a mistake," says Ohayon.

Producers fronting for Americans, Jephcott claims

TORONTO – The push for new tax legislation may have opponents among Canadian producers who have found lucrative loopholes in current laws, according to CFTA president Sam Jephcott.

Jephcott said in an interview that "Canadian companies are subcontracting U.S. production with a view to selling tax shelter units in those productions."

He declined to name any of producers.

But the result, he says, is that not all producers want major changes in legislation, especially if it means an end to their "co-productions".

"The people that are doing this are not fools," Jephcott explained. "The loopholes that they've found are quite genuine."

"The snake-oil salesmen have found another way."

Jephcott admits that any new system, including his CFTA's proposed refundable investment tax credit, may be prone to the same exploitation.

"We may not be able to find all of the possible abuses, but if we can demonstrate that we have seriously committed ourselves to legislation that won't be readily abused, then maybe we can get it in place."

Cinar distributor

MONTREAL – Donna Vekteris has been named manager of program distribution at Cinar Films Inc.

Vice-President Ron Weinberg announced that Vekteris will coordinate all distribution operations.

Vekteris has been with Cinar Films since 1986 as a production coordinator.

Prior to joining Cinar, she worked as a production coordinator with CTV and wrote advertising copy for Montreal radio stations. She is a graduate of Concordia University with a degree in communications.