

Tax Deductible Office Art for Businesses

Issue

Whether taxpayers who purchase or rent works of art, either for their own individual office or for the common areas of their places of business (such as a lobby or hallway) are permitted to claim a tax deduction for the cost of purchasing or renting the art.

Summary

Purchase of artwork *(for use to earn income)*

- If \$200 or less it is likely that the purchase will be tax deductible;
- If more than \$200 AND a Canadian artist, is likely will be depreciable at 20% per annum; and
- If more than \$200 by a non-Canadian artist then there is no deduction available.

Rental of artwork *(for use to earn income)*

- Likely deductible
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Buying a work of art

A taxpayer who acquires a work of art may be able to deduct an amount from the business income provided the artwork was acquired for the purpose of earning income and is not a personal expense.

The question of whether the artwork was acquired in order to earn income is a question of fact that can only be determined after a full analysis of all facts related to a given situation;

If the artwork was acquired in order to earn income, the purchaser must determine whether the amount paid is a current expense or is capital in nature. This can be done by looking at traditional factors such as: the purchaser's intention at the time of acquisition (i.e. was it to hold it long term or treat it as inventory and sell it for a quick profit);

In most cases, the purchase would likely be considered a capital expense, meaning that the purchaser may be entitled to claim tax depreciation costs when computing business income;

As long as the art costs at least \$200, it can be capitalized and depreciated at a rate of 20 per cent per year for tax purposes, provided it was acquired for the purpose of earning income and that the artist was Canadian at the time the work was done;

Artwork that has a cost greater than \$200 but is not created by a Canadian artist is specifically excluded as property that can be depreciated for tax purposes (i.e. no deduction is available to the purchaser). Canada Revenue Agency's view is that art objects typically appreciate over the long term and do not depreciate in value.

Rental of artwork

A taxpayer can deduct the cost of renting the art provided the expense was incurred for the purpose of earning income, which (see comments above) is also a question of fact.

Disclaimer

This information is of a general nature only and may not apply to particular facts and circumstances. Anyone seeking to claim a tax deduction for art objects should receive specialized professional advice in connection with their specific circumstances.