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Ms. Valerie Smith  
Communications Co-ordinator  
Canadians Concerned About Violence in Entertainment

DEC 16 1999

Facsimile: (416) 265-2801

Dear Ms. Smith:

On behalf of the Honourable Sheila Copps, Minister of Canadian, thank you for your correspondence of November 22, 1999, which is further to our previous correspondence regarding the Film or Video Production Services Tax Credit.

Ms. Copps appreciates your advising her of your interest in this matter. Under Section 241 of the *Income Tax Act*, however, the Department of Canadian Heritage is prevented from knowingly allowing any person to have access to taxpayer information. This includes revealing whether a particular production has received a tax credit. It should be noted, however, that under Sections 1106 and 9300 of the Act, productions that are deemed to be pornography are excluded from the Canadian Film or Video Production Tax Credit and the Film or Video Production Services Tax Credit, as well as any other tax benefits under the legislation.

I am pleased to inform you that departmental officials are currently in consultation with the Department of Finance and film and video producers' associations to prepare for the announcement of a new public policy. This policy will further preclude access to tax credits by productions that contain other objectionable subject matter, including undue violence or violence of a sexual nature, hatred or contempt and the depiction of persons in a demeaning manner.

I trust that this information is useful. Please accept our best wishes.

Yours sincerely,

Robert Fry  
Senior Policy Advisor

c.c.: Ms. Paddy Torsney, M.P.

## JOB LOSS FEARED

### Movies containing 'objectionable' matter won't qualify

BY CHARLIE GILLIS

The federal government plans to introduce legislation this June that will stop filmmakers whose works contain "objectionable subject matter" from collecting tax credits — a move producers decry as censorship, warning it will send cutting-edge film projects and high-paying jobs to the United States.

"That we could even be having a conversation about something like this, at this point in history, is absolutely ludicrous," said Jeff Sackman, president of Lions Gate Films, a Toronto company that makes major motion pictures.

"This is not much better than burning books. These tax credits are an important reason why filmmakers are coming to Canada to start with. If they take them away and the dollar comes up a cent or two, what do they think is going to happen?"

The new rules have the support of Sheila Copps, the Heritage Minister, who has faced growing pressure from activists who believe children are imitating the violence and sex in mainstream movies and television.

Last fall, the group Canadians Concerned About Violence in Entertainment (C-CAVE) filed a

### 'THIS IS NOT MUCH BETTER THAN BURNING BOOKS'

complaint to Ms. Copps over the tax policy after Lions Gate announced plans to film an adaptation of Bret Easton Ellis' controversial book *American Psycho* in Toronto.

The book was said to be a favourite of Paul Bernardo, who was convicted in the torture and killing of two teenagers in St. Catharines, Ont.

C-CAVE also filed a complaint about the novel to the Toronto police morality squad, arguing that it contravened obscenity laws.

Neither manoeuvre succeeded. But in a Dec. 16 letter to C-CAVE, Robert Fry, a senior policy advisor to Ms. Copps, said the government was planning a "new public

policy" on tax credits to be announced soon. The rules will take aim at movies containing "undue violence and violence of a sexual nature," he said, "or contempt and the depiction of persons in a demeaning manner."

Heritage officials are now consulting with the Finance Department and producers' associations on changes to the tax-credit program, said Mr. Fry.

Under the current policy, Canadian filmmakers may claw back 25% of their labour expenses, up to 12% of their total production budget. Producers from outside of Canada are allowed to claim 11% of their labour costs provided they use Canadian employees.

The incentives have been enthusiastically received by Hollywood's major studios, which sent so many film projects north last year that the State of California introduced matching incentives, and accused Canada of unfair trade practices.

Foreign moviemakers are expected to claim \$60-million for the 1999 fiscal year and the same amount in 2000, barring a change to the law. Canadian producers will claim an estimated \$40-million in tax credits in 1999 and \$41-million this year.

But exactly how the government would determine what constitutes "objectionable subject matter" remains unclear, as does the potential impact of the changes on the domestic film industry. Production houses reached yesterday warned that it could have a chilling effect on avant-garde filmmakers such as David Cronenberg, whose 1996 film *Crash* offended some audiences but won a special jury prize at the Cannes Film Festival. The same could be said for Lynne Stopkewich, the acclaimed director of *The Kiss*, a Canadian-made film dealing with necrophilia.

Robert Soucy, head of the Canadian Audio-Visual Certification Office, said officials are studying several models for judging films, including a review panel made up of industry representatives, government officials and interest groups.

Mr. Soucy said the panel would likely use criteria similar to that for judging obscenity, namely: Does the material violate community standards? Is it degrading and dehumanizing? Is there some artistic defence or artistic necessity for the material? Is the ultimate goal of the movie to exploit violence or sexual violence?

The proposed changes were applauded by Valerie Smith, a spokeswoman for C-CAVE.

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# Producers assail proposed changes to film tax credits

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