

Financial Literacy for Music Creators



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EDWARDS
CREATIVE LAW



 **Songwriters**
Association of Canada



Agenda

- Introductions
- Presentation Goals
- Income Streams for Music Creators
- Basics of Budgeting & Financial Planning
- Tax Considerations for Self-Employed Artists
- Tips on Managing Royalties & Music-Related Revenues
- Legal Business Structures for Music Professionals

Presentation Goals

- Empower songwriters and music creators with financial tools and knowledge
- Build sustainable careers in today's evolving music industry

Income Streams for Music Creators

Writers

Type of Royalty	Tasks Include...
Public performance royalties	Have SOCAN writer membership Composition is properly registered
Mechanical royalties (digital reproduction)	Work with a music publisher or register with CMRRA/SOCAN RR, The MLC, etc.
Synchronization license for music placements	Ensure properly paid (by production company or publisher)

Income Streams for Music Creators

Recording/Master

Type of Royalty	Details
Digital distribution	Generated by streams. Collected by label (payment based on agreement) or distributor
Sound recording owner share of neighbouring rights music royalties	Generated mostly by satellite radio plays. Collected by label or by you (<i>Panorama registration – formerly SOPROQ</i>)
Master use license for music placements	Paid by production company or label
Physical distribution	<i>Buy from label and sell, or make and sell</i>

Income Streams for Music Creators

Performance

Type of Royalty	Details
Share of neighbouring rights music royalties for the featured and on-featured artists	Generated mostly by satellite radio plays. Collected by you (<i>ACTRA RACS and Artisti</i>)

More: <https://edwardslaw.ca/blog/music-royalty-fees-explained/>

Basics of Budgeting & Financial Planning

- Understand **where your money comes from** – royalties, gigs, publishing, syncs, grants
- Separate **personal and business finances** (open a business account)
- **Track expenses** and save taxes (15-20% of income)
- Register with **SOCAN, CMRRA, MLC, SoundExchange** to collect all royalties
- Apply for **Canadian grants** (FACTOR, Ontario Creates, Canada Council)
- Plan for the future – **budget, save, and protect your IP**

Tax Considerations for Self-Employed Artists

- You're considered **self-employed** – you must file your own taxes
- **Keep receipts** for all business expenses (studio, travel, gear, meals, home office)
- **Register for HST/GST** if earning over **\$30,000 annually**
- Consider **incorporating** once income is steady for tax deferral and liability protection
- Set aside **20-25% of income** for taxes throughout the year
- Use a **qualified accountant** familiar with music and entertainment income

Tips on Managing Royalties and Music-Related Revenues

Artist-Manager Relationship – Commission to Manager

- Percentage
- Earnings vs. Gross Receipts
- Scope – Music vs. Entertainment Industry
- Specific costs that reduce commissionable revenue
- Sunset Clause – Scope (music and agreements), percentages, duration

Tips on Managing Royalties and Music-Related Revenues

Artist-Producer Relationship – Payments to Producer

- \$ Up Front: Fee vs. Advance
- Timing to report and pay
- Letters of Direction
- MFN
- Ensuring having the money to pay producers when payments due
- Indie vs Label (Net Profit vs. PPD)

Tips on Managing Royalties and Music-Related Revenues

Record Label – Payments to Artist

- Advances
 - Sales
 - Marketing and recording funds
- Letters of Direction
- Indie vs Label (Net Profit vs. PPD)
- Sample obligations?

Legal and Business Structures for Music Professionals

The Options

- Sole Proprietorship – On your own
- Partnership – Working together in business
- Corporation - Same rights as a real person, including owning property, getting loans, and entering into contracts. Also referred to as a loan out corporation to loan out your services

Legal and Business Structures for Music Professionals

Reasons to Incorporate

- **Partners** - It's a way to structure ownership among partners
- **Limited Liability** - Subject to exceptions, shareholders are not responsible for a corporation's liabilities.
- **Continuous Existence** - Corporations live on until they wind up, dissolve, amalgamate, etc. With other business structures, a business stops existing when the owner dies.

Legal and Business Structures for Music Professionals

Reasons to Incorporate

- **Music Grants** - There are and will be grants that require your music business to be incorporated.
- **Music Investors** - Distinguishing a particular class of shares for investors in your music business can be granted to an investor.

Legal and Business Structures for Music Professionals

When to Incorporate

- Once your **income becomes steady or exceeds - \$75,000/year**
- To **separate personal and business liability**
- To take advantage of **lower corporate tax rates (12-15%)**
- When collaborating with others – **allows for ownership of IP through a company**
- To **reinvest earnings** or build long-term business credit
- When you start hiring, signing contracts, or collecting royalties under a brand name

Legal and Business Structures for Music Professionals

Corporate Roles

- **Shareholders (owners):** Who should they be? What's their responsibility and liability?
- **Directors (manage/operate business):** Who should they be? What's their responsibility and liability?
- **Officers (President/VPs):** Who should they be? What's their responsibility and liability?

Legal and Business Structures for Music Professionals

Corporate Choices

- May have a shareholders' agreement or not regarding relationship among shareholders
- May have an operating agreement or not regarding the roles, rights and entitlements regarding key people
- Can keep corporation existing indefinitely or dissolve

Legal and Business Structures for Music Professionals

Corporate Choices

- Can incorporate on your own or with a lawyer
- You can choose a name or get a number
- You can incorporate in your province or as a federal corporation
- Capital structure: Single or multiple classes of shares (common, preferred)

Legal and Business Structures for Music Professionals

How Much Does It Cost?

At Byron's law firm, all legal and government costs, taxes, disbursements...

Ontario, single-share incorporation	\$1,371.80
Ontario, multi-share incorporation	\$1,823.80
Federal, single-share incorporation	\$1,157.35
Federal, multi-share incorporation	\$1,609.35

Questions??

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