

Income Tax Act

A physician employed by a firm or an insurance company is not authorized to deduct the books or instruments he needs. These expenses are supposed to be paid by the insurance company or the firm employing him.

• (5:20 p.m.)

There are rather subtle distinctions to be made, in the Income Tax Act, and it is the Regulations, that have been established over the years that enable the taxpayer to interpret the act accurately in such cases.

Also, not only are the Income Tax Division employees not authorized to allow certain deductions of this type, but even the Governor in Council is not authorized to enact a regulation authorizing such deductions because the act clearly says that no deduction other than those specified will be allowed.

I believe the Income Tax Act should be amended by Parliament because it alone has the right to do so.

I have been hearing for some time in the House that the act is what the government makes it, which is not true. The government is obliged to administer act as edicted by Parliament.

Consequently, to implement the proposed motion, Parliament should pass legislation. That is exactly what the government is proposing to the Canadian people. In fact, since 1962, it has tried to correct the many deficiencies which are to be found in the Income Tax Act. And this is what can be read in paragraph 1.2 of the white paper:

For most of this decade the strengths and weaknesses of the income tax system have been studied closely and debated vigorously. Widespread recognition of defects in the system led in 1962 to the appointment of the Royal Commission on Taxation, with the late Mr. Kenneth Carter as chairman. In its monumental report published early in 1967—

—five years later! For five years, the possibility of improving the Income Tax Act was under study—

—the commission made serious criticisms of the existing law and proposed some fundamental changes. A vigorous public debate arose over the commission's report and the government received many letters and briefs concerning it.

If one wishes to read some interesting matter, one can read the briefs prepared by individuals, big companies, small companies, finance companies. Some were trying to throw discredit on the Carter report, others approved of it in part and I know of only one who was in favour of the whole report.

That being the case, the new government got busy looking for some other means of amending the Income Tax Act and of making it more humane, more just.

Therefore, after thorough studies and in the light of the sound principles outlined in the Carter Report, the white paper was drafted based on the following philosophy, and I quote:

Let us look at the main points to be met:

Canadians in the lower income tax brackets face a heavy total tax burden.

This answers the argument of my hon. colleague. An effort is being made to relieve the fiscal burden of the small taxpayer. I continue the quotation:

[Mr. Noël.]

In recent years sales taxes and property taxes have been increased substantially. Where changes in the income tax can provide relief, it must be given to those with lower incomes. The government proposes increases in the exemptions to ease the burden on these individuals and families.

Mr. Speaker, the hon. member for Vegreville will be pleased by this: We aim at easing the tax burden of small taxpayers, because they cannot deduct certain unavoidable expenses. To remedy the situation a new bill will soon be put, I hope, before Parliament, and not before the Governor General in Council, and the hon. member will then have the right to make himself heard.

There is another most important thing: we want to stop the abuses committed concerning the Income Tax Act. I keep on quoting from the white paper:

Important forms of income and benefits escape taxation. The government proposes to bring them into taxable income.

In particular, a tax on capital gains is proposed. Some people spend their life consulting with experts so as to achieve, instead of an income, a capital gain which, according to the present Income Tax Act, is not taxable. Capital gains are not taxable, and it is proposed to remedy this situation. I keep on quoting:

Wage earners are unable to deduct many legitimate expenses from taxable income. New deductions would be introduced to benefit employees and working mothers.

The answer to the motion under consideration has appeared in the white paper since November 1969. We are therefore partly acquainted with the government attitude, as stated in its white paper.

Now, to be more specific let us see what the white paper says in connection with employment expenses. Paragraphs 2.10, 2.11, 2.12 and 2.13 make clear what are the objects of the white paper, even if they are not flawless. The authors address the taxpayers in the following terms: Gentlemen, we wish to correct some deficiencies of the present Income Tax Act, but at the same time we do not intend to create new abuses. This is precisely the difficulty.

We have asked ourselves if we should accept as allowable expense any cost incurred by a laborer, such as the purchase of tools as well as the depreciation on them. What would then happen? Tradesmen would continually ask accountants to compute the depreciation on their immobilized assets for their income tax return. Such a procedure would needlessly complicate things.

So the simple rule contained in the white paper was decided upon. It is not the present law which could be criticized leisurely. The white paper says that it was concluded it would be better to allow these tradesmen a deduction of 3 per cent of their annual income. That was the best proposal for the time being and the people could be given the opportunity of expressing their views.

Here is what some people said. I shall quote only a few because the Committee on Finance, Trade and Economic Affairs spent the summer reading briefs. We know for a fact that some are opposed to the 3 per cent deduction up to \$150.