

Income Tax

Mr. Lumley: Mr. Chairman, this is not different from any other changes in the bill or in any other previous budget. The federal government examines the system as well as individual situations. For example, the government found that the \$150 deduction is totally inadequate in view of the inflation we have experienced in the past couple of years. We do not discuss every single aspect of a tax bill with every single province.

Mr. Crosbie: That is just the point I wanted to bring out. I am glad the parliamentary secretary verifies that. I am not talking about federal income tax imposed by the federal government for its own coffers; I am talking about taxes imposed by nine provincial governments to raise moneys for provincial purposes which are collected by the government of Canada as a convenient administrative method, so that we do not have 10 or 11 governments collecting income and corporate taxes. The government of Canada collects it as an administrative mechanism to avoid a complete nightmare, but then when it makes changes in its own tax—the point I am getting to—it also makes changes unilaterally for the nine provinces whose taxes it collects. That is the situation, is it not?

Mr. Lumley: Mr. Chairman, I am sure the hon. member is aware that the nine provinces voluntarily entered into tax collecting agreements with the federal government. The provinces still have the prerogative to have their own individual taxation systems over and above anything the federal government does.

Mr. Crosbie: Then that is what they will have to do.

Mr. Orlikow: Mr. Chairman, I rise to support the amendment proposed by the hon. member from the Social Credit party that the tax exemption be raised to \$400, but I want to say that I am less than enthusiastic about any system which gives automatic exemptions to people. Whether it is the \$150 exemption we had last year, the \$250 exemption which is proposed by the government for this year, or the \$400 exemption proposed by the Social Credit party, we are not taking into account all the actual expenses an employee incurs. These expenses include those incurred in getting to and from work, having to buy tools, or whatever. When the hon. member for Yorkton-Melville was suggesting changes, the parliamentary secretary repeated something the minister said a few days ago; that is, that it would be an administrative nightmare to have to get the accounting done in a more detailed way.

I am struck by the attitude of the minister and his department about the difference between how to treat working people and how to treat self-employed and business people. For the latter group we permit a host of exemptions—it would take me all day to list them—and there is very little accounting. I am going to put some of these exemptions on the record. I am sure many working people in this country will say, “By golly, we are getting an extra \$100 exemption, and that is good”, but the only reason they say that is that they do not know the kinds of tax breaks this country gives to self-employed and business people. I am not saying that is necessarily wrong. I

am saying, however, that there ought to be the same approach to working people as there is to business people.

I suggest to the parliamentary secretary that what I am suggesting is not very radical. During the election campaign which took place prior to his election, President Carter said: “When a business executive can charge off a \$55 luncheon on a tax return and truck driver can’t deduct a \$1.50 sandwich, then we need basic tax reform”. Is the situation in Canada the same as it is in the United States? If the parliamentary secretary consults his officials I think he will find that that is precisely the case. A businessman can deduct \$55 or \$250 for a dinner if he has it with some of his prospective customers. The tax department will not question that at all. That would be a legitimate expense. He can take his customers to a golf club and pay the green fees, or he can buy a wedding present for the daughter of a customer or prospective customer and charge that off as business expense. He can take a business trip.

A former minister of finance, Mr. Turner, spoke to a convention of Canadian business people a couple of months ago; I think it was the Institute of Financial Analysts, although I may be wrong about the specific organization. Where were they having their convention? In Bermuda or the Bahamas, and the expenses are considered business expenses. The delegates can deduct the expense of going to that convention and they do not have to pay taxes on the cost of that trip. A doctor, lawyer or businessman can deduct the expenses for his automobile. That can be a very substantial amount of money. For example, he can deduct the expenses for gasoline, oil, automobile insurance and even for the depreciation of his car. If he has a \$15,000 car, he can depreciate it in the first year at 30 per cent. For car expenses alone, a businessman can charge off expenses of between \$4,000 and \$5,000. If he is in the 40 per cent to 50 per cent tax bracket, as many business people are, he will pay about \$2,000 less income tax. I am not saying that is wrong, but I am saying the working man does not have that opportunity. A man who can walk to work will be able to deduct the \$250 which the government is proposing, but if he has to drive 50 miles each way every day he will not be able to deduct the costs involved or depreciation on his car. On the one hand, very generous treatment is given to self-employed and business people, but the treatment of working people is very tough.

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I quoted from a speech made by President Carter on the subject of tax deductions. He proposed some very tough tax laws which are being considered by the House of Representatives and the Senate in the United States. He suggests that the government monitor very closely the kind of business expense I have spoken of—for example, the business lunch. A spokesman for the American Hotel and Motel Association is quoted in the *Toronto Star* of November 12 as saying:

It doesn’t take a lame-brain to figure out this could really hurt these people. You walk into any Washington hotel, restaurant or dining room and look around at the way people pay. You can tell they’re on expense accounts.

If they pass this thing, you’d be able to shoot a cannon in those restaurants and not hit anybody.