

Income Tax Act

would like to pay the salaries of the employees in my office, I would very much appreciate it. I am saying basically that lawyers who have big corporate clients for whom they have a bill on the books are usually paid. However, lawyers who have a general practice deal with all kinds of cases, and in many instances it may take several years for a client to pay his account. This may be the situation even in respect of a small account, because often these people do not have the money and must pay it by instalments. Sometimes an account may be on the books for a period of two or three years because of the financial position of the client. Now, lawyers will have to pay tax on that account.

Previously, these people were on a cash basis. The 99.9 per cent of lawyers and accountants who were on the cash basis now are to be asked to pay income tax on the accounts receivable. This means, if they pay tax at the rate of 37 per cent or 40 per cent, they will be paying that rate on the accounts receivable which are on the books and which may or may not be collected. I suggest this will create a situation in offices where people will try to avoid the tax legislation by setting up files and not, of course, billing out those files.

To me this whole proposal is preposterous, and I would have thought the minister would have withdrawn this section, especially after what had been said when the white paper was being studied by the committee. This means that the young lawyer or doctor who starts up would have to go to the bank in the first year to borrow money on which to live and with which to pay the tax before the money comes in from the accounts receivable. In other words, this will kill the initiative and ambition of young people in starting out on their own, whether they are in the legal profession, the profession of accountancy or in any other profession. The provision in the bill is a little better than the white paper proposal. At one time, the government wanted to put a tax on work in progress. Hon. members will recall that during committee study of the white paper, I wondered how a gynaecologist would bill on his work in progress. If the foetus were two months old would he bill for one sixth of his fee? The same thing applies in a law office to work in progress.

• (2:10 p.m.)

I know something about the management of a small law office, of how difficult it is to meet the payroll, pay the rent and meet all other costs. In recent times office rents have gone up 200 per cent to 300 per cent. A lawyer might start off an account by writing one letter. Would he have to pay tax on the fee received for that? It might be the first step in the administration of an estate, yet he would be expected to pay tax on that work in progress. Such tax laws create situations that encourage fraud. Lawyers in small offices will not be able to afford to put accounts receivable on their books. I would like to hear the minister explain why he wants this provision in the bill. There was no loss of taxation when the system involved payment on a cash basis. If a case began in 1968, was billed a year later, and the account paid in 1969, then the tax was paid in 1969 when the fee was received. Now, a lawyer may have to pay tax on an account which he may never collect.

This will create an impossible situation for lawyers, accountants, and medical general practitioners.

[Mr. Woolliams.]

Mr. Benson: Nonsense.

Mr. Woolliams: The minister says this is nonsense. I do not know. I know something about his background, and I doubt if he has ever operated a small accountant's office. If he has, then I am surprised that he favours this proposal. The situation is different when an accountant belongs to a big national firm dealing with large corporations. If the firm charges the CPR or the National Trust, it knows its account will be paid. But the lawyer who defends John Blow on a small criminal charge, a quasi criminal charge, or in a civil case may not receive his fee for two or three years. Before the introduction of legal aid, many lawyers involved in divorce work carried clients for four or five years before finally writing off those accounts. Under the proposed system, a lawyer will have to pay 40 cents on the dollar on an account that he has not even collected.

This is all part of the Liberal philosophy. The Liberals want big farms, big law firms, big accounting firms. It is only the big man who will be able to afford this system, not the little man. I am shocked at this kind of legislation. I say it came down the legislative pipe because whoever devised it never practised either as an accountant or as a lawyer in a small office, and had the experience of meeting wages, rent and other expenses. Whoever devised this section must have joined a big firm at the start of his career. Mr. Speaker, I believe Canada is still a young country, and I think it is good for young lawyers to start off by opening their own offices, putting in telephones and hiring their own secretaries. This shows they have ambition and initiative. Those are the qualities that built this country. The lawyer, the accountant and the doctor are men who serve society.

I am not talking about the fellow who does corporate work. Once a law firm gets the account for, say, the Bank of Montreal, that account stays with the firm year after year. The firm may hire a young lawyer on salary, and after 20 years he may join the partnership. Such firms can afford this legislation, but the little firms cannot. Again, it is all a question of big government and big business. Under this legislation, including sections of it other than the ones under discussion now, the little Canadian's initiative will be killed and stifled.

Mr. Osler: The little fellows are going to get a lot of reductions.

Mr. Woolliams: Mr. Speaker, there is that member from Winnipeg who speaks very little but, when he does, always speaks sitting down. I have always said he should say, "Thank goodness my grandfather was born before me."

Mr. Osler: Would the hon. member permit a question?

Mr. Woolliams: Certainly, and I hope the hon. member makes the front page of the Winnipeg *Free Press* with his question.

Mr. Osler: In view of the hon. member's allegation that nobody does anything for the middle man, I wish to ask him if he has read those portions of the tax bill which indicate that millions of people are going to benefit from tax reductions?

Mr. Woolliams: That is really a very intelligent interjection. I appreciate the exemptions that the bill provides. We