

Income Tax Act

country—not only individuals working in institutes and on experimental farms, but ordinary individuals—to try to advance the scheme of knowledge.

This has been part of the Income Tax Act of this country, and before that it has been part of the tax law of Great Britain for 300 to 400 years. This research is for the benefit of the public; scientific research is considered to be for the benefit of the public. If this money is expended by somebody not in the business of farming because he has a legitimate interest in trying to advance the knowledge of agriculture, then I submit to the committee there is an argument to be made for his having this expense as an additional deduction.

• (2050)

Mr. Gleave: Mr. Chairman, the minister has not told us why agriculture is singled out from other occupations for this purpose. He said there is provision already in the Income Tax Act for people or for corporations or businesses carrying out scientific research. Of course there must be provision so that research can be carried out. But the minister has not said why he or his colleagues found it necessary to give it particular application to farming. This is the question I have raised, because I say it runs counter to what we have been developing in the past few years in our approach to agricultural research. It leaves it open, I believe, to a fair amount of abuse at the expense of the ordinary taxpayer.

Clause 7 agreed to.

On clause 8.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I am not attempting to belabour this matter, but perhaps you would allow me to reiterate the procedure we established earlier in the day, namely, that the committee suggested I make a statement on each clause and, if necessary, expand later on that short statement.

Clause 8 is a relieving amendment. The present act requires professionals to pay a tax on money received for services to be rendered at a future date. As other businessmen are permitted a deductible reserve against this type of receipt, so should the professional.

Mr. Ritchie: Mr. Chairman, I believe this clause has caused considerable comment. It refers to a "reasonable reserve." As I understand it, the reserve cannot be greater than that claimed on receivables to the end of the year 1971, and there will be a new reserve established every year. Have the rules been formalized concerning how the reserve shall be calculated?

Mr. Turner (Ottawa-Carleton): Basically, the professional has a retainer for work to be rendered in the future. If he has not accomplished the work, then under this amendment he is only bound to take into income that part of the retainer for which he has already rendered service.

Mr. Ritchie: In making a calculation in professional partnerships, I believe this reserve is considered to be very complicated. Does this clause clarify the matter so far as partnerships are concerned?

[Mr. Turner (Ottawa-Carleton).]

Mr. Turner (Ottawa-Carleton): It does not clarify the essential allocation of income in partnerships, but it applies to partnerships and, of course, to partnership assets.

Mr. Ritchie: I would ask the minister if his department would look at this question in order to solve some of the problems in respect of allocation of reserves in partnerships. As I understand it, it is so complicated it may well mitigate against the use of partnerships among professionals. I think the practice of forming partnerships has become a natural process in doing business, and unless the rules are clarified I believe there will be considerable hardship and a great deal of uncertainty over many years.

Mr. Turner (Ottawa-Carleton): I accept the point of the hon. member. We hope to proceed with some clarification which appears to be necessary, and to come up with it fairly soon. But there is nothing in the bill in this regard.

Clause agreed to.

On clause 9—*Deemed disposition of property where taxpayer has ceased to be resident in Canada.*

Mr. Turner (Ottawa-Carleton): Mr. Chairman, let us look, first, at section 48 of the act. This section provides for the deemed acquisition or disposition of property, as the case may be, where a taxpayer becomes, or ceases to be a resident of Canada. The object of this provision is to ensure that a taxpayer is taxed on the gains accrued during the period of his residence in Canada—and neither more nor less. The so-called departure tax does not apply in respect of property that is taxable as Canadian property. There is a right to receive payment described in any of the paragraphs from 212 subsection (1)(h) to paragraph (o) for other property which the taxpayer has elected to treat as taxable Canadian property. The latter exclusion permits a taxpayer to defer his tax on such property until his gains have been realized.

These amendments are in large measure responsive to representations for modifications to alleviate the burdens on employees who are required to move from one country to another in the ordinary course of their career. The principal change is to permit a departing taxpayer to elect to avoid a deemed realization of capital properties, and he agrees to include in his income the actual gain made when the property is sold.

Mr. Lambert (Edmonton West): Mr. Chairman, I suppose one might say this deals with some of the worms which came out of the can called capital gains. We find that Canadians are moving on a multinational basis, and presumably there will be a lot more moving on that basis. Am I not right that in a ten-year period the residence abroad must not be more than 36 months, and that the provision of capital gains does not apply? Now I see it is in respect of residents coming into Canada; that is the revision. If someone coming into Canada is not going to stay more than 36 months in a ten-year period, he is not caught by the capital gains tax in any way.

What is the situation in respect of a Canadian who goes abroad? We have a number of Canadians in North Africa working in the oil industry. We also have people going off in advance parties all over the world for other valid reasons. I presume if they leave their property in Canada,