

Income Tax

dangerous or useless and, if so, what is the Government doing to accelerate a testing program for this purpose?

Hon. Monique Bégin (Minister of National Health and Welfare): Prescription drugs that were marketed before 1963 and which were not required to be supported by proof of efficacy before approval, are reviewed by the Department of National Health and Welfare: (a) whenever there is an indication of a safety problem arising from experience anywhere in the world; (b) These drugs are reviewed in collaboration with expert advisory committees whenever new drugs supersede them. This review is done with the aim of producing therapeutic monographs for both the old and new drug, so as to give an adequate description of their place in therapy.

[Translation]

Madam Speaker: The questions enumerated by the Parliamentary Secretary have been answered.

[English]

Mr. Fulton: Madam Speaker, I wonder if the Parliamentary Secretary to the President of the Privy Council could inform the House when motions Nos. 109, 110 and 111 standing in my name on the Order Paper are likely to be tabled.

Mr. Smith: Madam Speaker, I do not have any new news but I will be happy to look into that on behalf of the Hon. Member.

[Translation]

Madam Speaker: Shall the remaining questions be allowed to stand?

Some Hon. Members: Agreed.

Madam Speaker: Pursuant to the provisions of Standing Order 58, I do now leave the chair for the House to go into a Committee of the Whole.

GOVERNMENT ORDERS

[English]

INCOME TAX

AMENDMENTS TO STATUTE LAW

The House resumed consideration in Committee of the Whole of Bill C-139, to amend the statute law relating to Income Tax (No. 2)—Mr. Lalonde—Mr. Blaker in the chair.

On Clause 3—*Fair Market Value*

On Clause 16—*Professional business*

The Deputy Chairman: At one o'clock when the House rose, the Hon. Member for Calgary West had the floor.

Mr. Hawkes: Mr. Chairman, prior to one o'clock the Parliamentary Secretary had indicated that, in terms of "work in progress" for professionals, the Government's mindset was

to take work in progress into inventory. Could the Parliamentary Secretary give us the Government's definition of the difference between inventory and accounts receivable?

• (1510)

Mr. Fisher: Mr. Chairman, I am told that the differences here have to do with the deductions on cost. Thinking back to my own experience, the differences between accounts receivable and inventory are fairly obvious. Accounts receivable are included in the incomes of businessmen or professionals for tax purposes. Inventory is listed as an asset, but it immediately becomes something which he can write off in the next year. If a businessman encounters a bad debt, he can write that off as well. The same would be true with a professional.

Mr. Hawkes: Mr. Chairman, could the Parliamentary Secretary tell us whether work in progress is classified under this proposed piece of legislation for tax purposes as inventory, or is it really more analogous to accounts receivable?

Mr. Fisher: I am sorry, could the Member repeat that?

Mr. Hawkes: The Parliamentary Secretary describes himself as a small-businessman. Earlier this day he suggested that this new tax Bill would classify work in progress as an inventory item. First, I am wondering whether he has read the legislation. Second, under this Bill as proposed and before us right now, is work in progress to be treated as accounts receivable or inventory?

Mr. Fisher: Inventory.

Mr. Hawkes: As I read the Bill, it is to be treated as a receivable. Inventory in a professional corporation is the cost of doing business. It may be wages paid out and so on. One is to treat this as an income item, not based on cost but cost plus profit. The Bill says that it is to be treated as an item for which one is putting in one's profit margins, and that is the rate at which one will bill.

Mr. Fisher: Mr. Chairman, our officials assure us that we can deal with these things on a cost basis.

Mr. Hawkes: Mr. Chairman, in my next go-round I will find the pertinent Clause and bring it to the attention of the Minister.

I return to the original theme. Is it the Government's intention as these revisions are coming in to treat all taxpayers of all small businesses fairly or the same?

Mr. Fisher: Mr. Chairman, I would think that what we want all taxpayers to do is two-fold. We want them to be treated fairly and we want them to see themselves as being treated fairly. This is why those people who are currently in small businesses and cannot take advantage of a provision parallel to work in progress would like to know that the work in progress