

The Carter report reviewed these inequities and suggested:

That there be a more liberal approach than currently existed to employee expense deductions . . .

The report suggested further:

That the employee should be entitled to substantiate a larger deduction if he could do so.

The final effect of its recommendations on the nature of reforms in tax law is now history. The formula for all employees was an employment expense allowance of 3 per cent of income up to a maximum of \$150, for a total cost of \$235 million to revenue.

The government rationale for having dismissed the recommendation is that millions of taxpayers are involved and that a very wide range of expenses could be related to earning their employment income. It is contended that these taxpayers do not keep detailed records and that the government has found no practical way to permit employees to deduct actual costs as do those carrying on a profession or other business. I am sure it is hardly necessary to remind you, Mr. Speaker, that administrative convenience has never been an acceptable reason for neglecting to amend a poor law.

What represents even poorer judgment was the statement that:

The government believes these expenses, that is employment expenses reasonably related to the earning of income, are not generally as high as implied by the commission. It would be costly, and inequitable to others to permit substantially more to be deducted by means of a formula than was normal in typical cases.

This is hardly a credible argument when both the United States and the United Kingdom have instituted measures to compensate for this very same inequity. The United States gives a sufficiently large standard deduction to cover most claims, and the United Kingdom has agreements with industry for flat rates. Both result in giving tax relief in some cases where it is not necessary or justified, but it is felt that they mete out a rough justice.

Bearing no more credibility was the argument advanced by government that the administrative difficulties would be enormous. It said:

It would be impossible to check expense claims to prevent abuse and evasion.

That was the suggestion according to government apologists. It was further contended that:

The appointment of additional staff plus the loss of revenue that would accrue from such allowances might even lead to higher taxes.

The fact that self-employed professionals are allowed deductions for materials and equipment consumed in income-earning activity clearly establishes the fact that it is not administratively impossible to audit such expenditures for tax purposes. Such poorly substantiated explanations have led many people to believe that this group was simply not blessed with enough political clout when reform measures were being debated. Reviewing briefly tax appeal board hearings lends some credence to this suspicion.

It is often admitted that expenses voluntarily incurred by an employee were incurred for the purpose of producing income, but there is no provision contained in the act by which a deduction from income can be allowed.

Income Tax Act

The following submissions to the public hearings in 1970, leading to the white paper on tax reform, show that the problem was at least exposed.

On tax reform the government of Ontario said:

The white paper proposes to remedy the unfair treatment of ordinary wage and salary earners by establishing a 3 per cent employment expense allowance with a \$150 ceiling.

This ceiling should be increased to \$300 with an option provided for the deduction of certain employment expenses on an itemized basis.

This could ensure approximately equal treatment for employment and self-employment or business income.

The Canadian Bar Association said:

The proposal to allow employment expenses of 3 per cent of employment income up to \$150 per year without documentation would be unfair to non-employees and also to those employees who spend considerable amounts in earning their income.

Allowance for all reasonable and substantiated expenses should be provided.

The Canadian Labour Congress said:

The government acceptance of the principle that employees' expenses should be deductible for tax purposes as has long been the case for business and professional expenses is welcomed.

However, the proposed formula falls short of what is required by many categories of workers whose outlay is much greater for such items as special clothing and replacement of tools.

The Royal Commission on Taxation was much more realistic in recommending a \$500 maximum deduction for this purpose.

Some briefs pointed out that the maximum of \$150 a year is too much for some employees and far too little for others. The proper solution would be for all employees to be entitled to submit detailed and authenticated expense claims, with the alternative option to claim a flat allowance, based on a percentage of gross earnings with a ceiling.

● (1710)

There is no valid reason that those who have higher expenses should not be permitted to itemize and claim them, if properly substantiated, and justice would be done. Most briefs have advocated that this choice be given. It may be noted that in the United States employees may itemize and claim deduction of all ordinary and necessary expenses in the same way as the self-employed.

I therefore urge, because the principle is one of equity, that this be favourably considered and that employees be given the option to itemize, substantiate and claim deduction of all expenses, laid out or incurred for the purpose of gaining or producing income. I can accept the excuse that this particular point was lost in the turmoil of a tax review as extensive as that undergone in 1972. However, the dust has settled and I am struck by the obvious inequity that has resulted from ignoring the special case represented by mechanics and tradesmen who must incur substantial personal expenditures of tax paid dollars to carry out their work and who are not compensated in any way for this burden.

A persistent refusal to amend the law is nothing but a tacit admission that employees must bear a higher burden of taxation than other groups of taxpayers. I introduced this motion by saying that the working environment for the individuals in question here has been undergoing changes relevant to this argument. Outside of double-digit inflation rates, which the government is not prepared to