

Income Tax Act

may have an impact on matrimonial property problems at the provincial level.

[Translation]

Mr. Bussières: Mr. Chairman, first of all, the amendment before us does not necessarily mean that a salary would be paid to the spouse. I am not a lawyer, but I suggest that if a problem is raised by a spouse who thinks he or she is entitled to some equity, for instance, in the business of his or her partner at the time of a divorce, it would be the responsibility of the court, according to the divorce law of that province, to rule on the matter concerning the rights of this spouse as far as his or her share in the business is concerned. I believe it should be incumbent upon the court to rule on the matter in the light of the provincial divorce legislation. I do not think we could provide in our tax legislation for theoretical cases of divorce since such conflicts come under provincial legislation and are settled through the courts.

[English]

Amendment agreed to.

Clause 40, as amended, agreed to.

Clause 41 agreed to.

● (2140)

On Clause 42—

Mr. Rae: I wonder if the minister could explain the purpose of Clause 42 with respect to employee loans and deal with a problem raised by Mr. Drache in a recent *Financial Post* article dealing specifically with this amendment. I am sure Mr. Drache is concerned. Perhaps the minister can explain the purpose of the amendment.

[Translation]

Mr. Bussières: Mr. Chairman, the purpose of this amendment is to remove any unwanted impact or effects which could arise when an employee obtains a loan from his employer and the rate applying to that loan is about the same rate which would be charged generally to the public at large. So, that is the purpose of the amendment we are now proposing.

[English]

Mr. Rae: I am still not entirely clear, Mr. Chairman. Perhaps the minister can explain by means of an example. My understanding is the effect of this, which one might call a VIP change, is to effectively reduce the level of the benefit that employee is receiving by virtue of the fact he is receiving subsidized loan from his employer. Is that the purpose of the legislation? If so, can the minister tell us how much it is going to cost?

[Translation]

Mr. Bussières: I hope I have understood, Mr. Chairman. That is a little complicated. Indeed the provision is aimed at establishing the rate with reference to which we could assume that a benefit has accrued to an individual who has obtained a

loan at a certain rate from his employer. So this provision is designed to set the rate which would be used as a standard of measurement from which we could work out the benefit by comparing the interest rate paid on the loan granted by the employer to the employee with that standard of measurement.

[English]

Mr. Nielsen: That is only the first part.

Mr. Rae: Yes, Mr. Chairman, the minister only answered the first part of the question. Perhaps it is a two-pronged question. Has the minister or his department conducted a study as to where this tax expenditure falls? In terms of income groups, who gets the benefit of this tax expenditure? Also, what will be the cost of this new benefit to those who receive subsidized loans from their employers? What will this new benefit be worth?

[Translation]

Mr. Bussières: Mr. Chairman, I will say it is a measure which is widely used especially by employees in isolated areas. Reference was made earlier to benefits granted to employees in the north. It is a type of benefit which is granted to some people who are employed in the north. We also mentioned certain classes of institutions, for instance, financial institutions, trust companies, banks, or any other financial institution which will frequently grant such loans to their employees, and not only to their employees, because that type of loan can be granted in a very general way to their employees. I see the hon. member shaking his head. I am told it is currently being done. As far as estimated costs are concerned, I must say that we have no provision for evaluation. It is very difficult to set a cost evaluation for such a measure, and I regret to say to the hon. member that I cannot indicate the amount which could be involved in this instance.

[English]

Mr. Rae: Mr. Chairman, I think we are entitled to at least a rough estimate. If the minister is going to carry out these sorts of changes, although they may be minor, they will result in a benefit or a tax relief for a certain group of taxpayers. Although it may seem like a large number, more than five people, in terms of the relationship to the 15 million people who filed income tax forms last year, it would be a minuscule proportion of those 15 million. Without being ideological, we are entitled to know, if this benefit or tax relief is being given, who is receiving it and how much it will cost. As I said to the minister previously—and we said this in the House many times—one person's tax benefit is another's tax burden. If a tax benefit is to be provided for these people, we are entitled to know how much it will cost. I can then go to my constituents and tell them the reason they do not get a cost of living tax benefit is the government is giving benefits like this to other people in society.

[Translation]

Mr. Bussières: Mr. Chairman, I mentioned a certain number of people to whom this provision could apply. As to