

Income Tax

Mr. Blenkarn: Mr. Chairman, very simply the proposal by the Government is out of order. It does not comply with the Ways and Means motion. The Government cannot do it that way. The proposal by the Government is out of order.

The Deputy Chairman: I do not want to dispute with the Hon. Member for Mississauga South. However, in my view he has not raised a point of order as to the admissibility of the proposed amendment by the Minister. What he has indicated is quite correct, that it would require unanimous consent of the House to consider these two Clauses together. There is not unanimous consent. That is evident. The Chair would normally revert to Clause 1 in standard practice, having dealt with other Clauses subsequent to Clause 1. The Committee will recall that a point of order was raised on Clause 1. That has been disposed of. I would put to the Committee that we now begin debate on Clause 1.

Some Hon. Members: Agreed.

The Deputy Chairman: There is agreement.

On Clause 1—*Value of benefits*

Mr. McKenzie: Mr. Chairman, I have a few comments to make about automobile standby charges, and I have a couple of questions for the Minister. The auto standby charge is a tax levied on the personal use of company cars. The Bill proposes that the tax be raised from 1 per cent per month of the value of the car to 2 per cent per month, and in the case of lease cars the tax would be two-thirds of the lease cost. The 2.5 per cent figure in the November 12 budget has been revised downward to satisfy the initial burst of opposition. In cases where personal use does not exceed 1,000 kilometres per month, 12,000 per year, the standby charge would be reduced proportionately. The impact on the individual taxpayer is that the change will effectively double the tax payable by persons using company automobiles. It can be expected that this will reduce the desirability of company cars dramatically.

The over-all impact is that industry reaction focuses on the effect of the change on the purchase and operation of company cars. The initial result will be reduced orders for company fleets and reduced inventories for leasing agencies. Further opposition centers on the process of implementation of the changes. Confusion surrounding the calculation of the taxable benefit, the timing of the changes coming into force and the effect of terminal charges serves to perpetuate the general uncertainty of this proposal.

The Progressive Conservative Party position is as follows: While the principle of taxing this benefit is not unacceptable, the rate of taxation and the method of calculation is suspect. The negative impact of the tax increase overshadows the benefits of increased revenues. It should be amended downward. The sections of the Act dealing with calculation of benefits should be clarified along with the regulations.

I am sure all Members have received complaints from the Commercial Travellers' Association of Canada. They have sent us detailed letters on the adverse effects of this change. They point out that clearly the standby charge, based on an

employer's cost, does not accurately reflect the real value to the employee. We have an example of how it is going to affect one firm in Ontario, Globe Modern Curriculum Press. They give the following example of how they will be affected by this tax change. I quote from their letter:

We are book publishers and supply our representatives with station wagons because of the large number of samples they must carry. This heavy load requires us to equip these wagons with heavy-duty shocks and load-levelers as well. For each of us to empty our cars, and provide space for family is a real chore. Personal use is at an absolute minimum.

Therefore, I consider your plans to tax personal use onerous, unnecessary and unethical and urge you to reconsider your planned legislation.

This letter was sent to the Minister of Finance in January of this year. I hope the Minister will give an indication of changes he will be making to this automobile standby charge.

A recent court case dealt with car expenses. There was a reversal in court of the Government's proposal. For years the Government has based its decisions on whether or not the salesmen can claim automobile expenses on their personal definition of "ordinarily". In a recent federal court trial decision where the Government disallowed a relatively small claim for automobile expenses because of their definition of "ordinarily", the Court found the meaning of the word "ordinarily" as equivalent to "normally" as opposed to "rarely or exceptionally". In view of this recent federal court decision, I would ask what corrective measures the Government plans to take and if the Government will remove this Clause from the Government's regulations.

Mr. Cosgrove: Mr. Chairman, I was encouraged to hear that the position of the Official Opposition is that they do not in principle object to the taxation of this item as a benefit. What they are concerned about is the rate of tax and, as indicated by the specific question of the Hon. Member, the way in which the calculation of that tax is arrived at.

To begin with, I should point out that, if it was not clear as we began consideration of Clause 1, the agreement was, I believe, that we would consider Clause 1 as amended. As we dealt with the various Clauses in the last vote, there were a number of amendments that were identified with "A" on the list that was left with the Chair.

I point out that there are two technical amendments to Clause 1. I presume that in saying they agreed to debating Clause 1, Hon. Members included as well those technical amendments which we have made available to Members opposite. I see the Conservative House Leader is checking on that point. That should be clear. We should not lose sight of it as we begin debating this Clause. For the assistance of the Hon. Member for Mississauga South, I am referring to a document which refers to Bill C-139, items dealing with small business corporations. I think the Hon. Member for Mississauga South would agree with me, Mr. Chairman, that the reference to Clause 1 is in effect reference to Clause 1(a), which is the same way in which we proceeded with the previous vote and which is repeated again with Clause 44, Clause