

Income Tax

Clause 38, as amended, agreed to.

Clauses 39 to 42 inclusive, agreed to.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I am prepared to have clause 43 carry but I want to introduce a new clause 43.1 which I will explain.

Clause 43 agreed to.

● (2100)

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I should like to circulate an amendment I intend to propose. I have not given it to the committee. It is a technical amendment to paragraphs 18(1) (m) and 12(1) (o) of the act, and is intended to clarify the application of the provisions in this bill concerning resource royalties and resource taxes levied by government.

As part of the provisions affecting the petroleum and mining industries, this bill provides that government levies such as royalties and resource taxes would not be recognized as a deduction in computing the income of the taxpayer. It has become evident, however, that the French wording is not sufficiently clear to cover cases where one taxpayer reimburses another for such government charges. If, in such cases, the relief or levy is clearly being borne by the taxpayer who is making the reimbursement, the government will make it clear that this taxpayer's income is adjusted.

The taxpayer being reimbursed—usually a freeholder—will be put in the position as if he had neither received nor made a disbursement with respect to the royalties or mineral taxes for which he was reimbursed. In this way it is clear that the owner of the freehold land who happens to pay a province an annual payment for that land which is leased to an oil company or resource company will not be penalized. If the oil company or resource company pays him rent for the use of that land, this provision will cover the tax which he would otherwise have to pay to the government. Unless we make it clear that the non-deductibility provision does not apply to the owner of the freehold land but applies to the oil company or the resource company which is using the land, the wrong person will wind up paying the tax. There are hundreds of owners of freehold land in western Canada who have leased out their land to oil companies, independents and otherwise, and they would be caught unless we bring in this amendment. It is clearly our intention, if the committee will entertain the amendment, to have it stand with the rest of the resource clauses until they can be dealt with. May I put the amendment to the committee. I move:

That Bill C-49 be amended by adding immediately after line 20 on page 95 the following clause:

' 43.1 (1) The said Act is further amended by adding thereto the following section:

Reimbursement
by taxpayer
for payment
to Crown
deemed paid
direct to
Crown

"80.2 Where pursuant to a contract between a taxpayer and another person (in this section referred to as the "payee") any amount is paid or payable by the taxpayer or any property is transferred by the taxpayer to the payee as reimbursement in respect of any amount paid or payable referred to in paragraph 18(1)(m) or the fair market value of any property paid or payable referred to in that paragraph by the payee to any of the persons referred to in any of subparagraphs 18(1)(m)(i) to (iii), for the purposes of this Act the following rules apply

(a) the taxpayer shall be deemed to have paid the

amount or property, as the case may be, to a person or persons referred to in any of those subparagraphs,

(b) the payee shall, to the extent of that reimbursement, be deemed not to have paid an amount or property, as the case may be,

(c) the payee shall be deemed not to have received any reimbursement from the taxpayer, and

(d) paragraph 12(1)(o) shall not apply in respect of the amount or property paid or payable, as the case may be."

(2) This section is applicable in respect of amounts or property paid or payable on or after May 6, 1974.'

Mr. Stevens: Mr. Chairman, as the committee has not seen the amendment, perhaps we could stand the entire clause as well as the amendment.

The Chairman: Order, please. I understand clause 43 has been carried, and the amendment just put will introduce new clause 43.1. The amendment does not amend clause 43. It introduces new clause 43.1.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I understand clause 43 carried, and I propose that new clause 43.1 should stand.

The Chairman: Does the committee agree to stand new clause 43.1?

Some hon. Members: Agreed.

Clause 43.1 stood.

Clauses 44 to 46 inclusive agreed to.

On clause 47.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I intend to move a technical amendment to clause 47, found on pages 98 and 99 of the bill. I move:

That clause 47 of Bill C-49 be amended

(a) by striking out lines 31 to 33 on page 98 and substituting the following:

"tion and,

(a) at any time before the debt was incurred, any particular person, or the group"

(b) by striking out line 43 on page 98 and substituting the following:

"(b) at any time before the particular time, the particular person or group of"

and

(c) by striking out lines 14 to 16 of the French version on page 99 and substituting the following:

"sonne donnée ou à tout membre de ce groupe de personnes, ou

(D) toute combinaison de person-"

Amendment agreed to.

Clause 47, as amended, agreed to.

On clause 48.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I wish to propose a technical amendment and a correction to the French version of clause 48, which is found on pages 103 and 104 of the bill. I move:

That clause 48 of Bill C-49 be amended

[Mr. Turner (Ottawa-Carleton).]