

*Income Tax*

difficult not to work and to devote himself entirely to the upbringing and education of his daughter. He finds that if he were to work, he could claim \$750 as a deduction; now he cannot claim that money because he does not work. I thought, after reading his letter, that the officials of the minister's department might be sufficiently ingenious to draft an amendment which would allow him that tax deduction.

When this man learns that an additional tax credit has been made available for those who want to send their children away to school, to be educated in the language of their choice, he will be more frustrated than he is now. Would the minister change the law, to allow the parent who is not working but is using his savings and devoting himself entirely to the education and care of his child, to claim that \$750 deduction, an amount he could claim if he were to work and hire somebody to take care of his child?

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, I sympathize with the person about whom the hon. gentleman has talked. He describes a father who, rather than work, stays home to look after his daughter. The tax system as of 1975 will give him some advantage. He is now allowed to claim \$1,644 in respect of the child under the married equivalent exemption, rather than the \$352 which he would normally be able to claim for the child under the age of 16. We have gone some way to meeting the hon. gentleman's point. My difficulty is that the change he proposes would create a major loophole which would benefit upper income families in which the wife has investment income but does not work and has help for the child.

The hon. gentleman's suggestion would mean that the total deduction for working mothers and working families should be extended, and should apply not only against working income but also against investment income. That would cause some problems.

The Income Tax Act must be general in application. It is, by its nature, global. It cannot take cognizance of every difficult situation, although we try to meet as many as we can. We have gone some distance to meeting the problem described by the hon. member. I do not know how we can meet the situation in its entirety without leaving the act open to some abuse in cases where investment income could be reduced by child care expenses.

**Mr. Johnston:** Mr. Chairman, I wonder if the clause could be so amended that it would apply to, say, a widow, parent, or widower, and not apply to the married couple which could use this provision as a tax dodge.

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, we have already met the point by moving from \$352 to \$1,644 in our exemptions. We have thrown in an extra \$1,300 as a deduction to meet that particular situation.

**Mr. Hamilton (Qu'Appelle-Moose Mountain):** Mr. Chairman, I am taking advantage of the present opportunity for open discussion to talk about clause 4 and related clauses, in the hope I can persuade the minister to accept a suggestion. I am referring to the proposal I made to the minister on January 30 about the quarrel between the federal and ten provincial governments over resource taxation. That quarrel troubles industry. The arguments used on both sides of the quarrel no doubt are interesting, but

[Mr. Johnston.]

our three major industries, mining, petroleum and forestry, are caught in the middle.

The provinces levy taxes, and the federal government is saying they are non-deductible. To use round figures, if a provincial government levies a 40 per cent tax rate in the mining field, and the federal government says that the tax paid is not deductible and applies another 50 per cent, the industry becomes liable for a 90 per cent tax rate. Many mining communities in British Columbia, Manitoba and Saskatchewan, and several in Ontario and Quebec, are desperately frustrated and concerned about this quarrel.

As Canadians, we all believe the quarrel will be resolved. Therefore, let me ask the Minister of Finance this question: will he consider following the precedent laid down in the foreign investment review bill and introduce an amendment saying that clause 4, and other relevant clauses relating to non-deductibility, shall be proclaimed only by order in council? The various parts of the bill are cross-indexed, and the minister's officials know better than anybody which are the relevant parts of the bill so affected.

The effect of the amendment would be that clause 4 and other related clauses would not be proclaimed until after federal and provincial ministers have held a conference and decided on what is mutually agreeable and acceptable for the common interest of all people in Canada.

I remind the minister that the conference held yesterday, as reported in this morning's edition of the *Globe and Mail*, represents the beginnings of a mutual accord between various levels of government. The newspaper report is so important that I shall read part of it into the record. One paragraph reads:

Mr. Lougheed said afterward that "we have agreed to attend" the April 9-10 meeting, "we have agreed to discuss oil and (natural) gas prices" and, therefore, "we are not going to take any unilateral action on this matter prior to the conference."

Clearly, that was a compromise type of statement.

● (1550)

Another paragraph reads:

The Prime Minister would say only that his talks with Mr. Lougheed had helped to pave the way to the first ministers' meeting and that it will not be held under crisis conditions, because of Alberta's decision not to force the oil pricing issue in the interim.

I suggest that at times when the interest of the nation is so much at stake it would be greatly to our advantage if the Minister of Finance could help this feeling of goodwill along when the Prime Minister goes to that conference on April 9 and 10. He could do this by bringing in an amendment to clause 4 and related clauses giving an assurance to industry that this matter had not been irrevocably decided, by offering the chance of a compromise which would allow the industries in the various provinces to operate without this continual threat to the viability of their undertakings. The minister would be serving the country well, in my opinion, if he were to take such a position.

As I put it the other day, Mr. Chairman, does the Prime Minister want to go into this conference with his hands bloody? Does he want to go in carrying a big club which he would be bound to use if this clause were passed?