

Income Tax Act

tions. Of course, this means that farm owners residing in those areas have a decided tax advantage over farm owners residing in areas which have a ten-acre by law.

This places the farmer in a most unfortunate situation. Under capital gains tax legislation there is no consideration for his dwelling, while on the other hand under the township bylaw he cannot have the house severed from the farm. To summarize, Sir, as the legislation presently exists there has been no consideration by the government to recognize the necessity of different severance bylaws in the townships, which are fundamental on their part to effective planning, and there is obvious discrimination to the farm community when adequate consideration has not been given to the formation of limited companies.

In conclusion, Mr. Speaker, I welcome the amendment but I re-emphasize that it is far too restrictive for sound farm planning and I would urge that serious consideration be given to the proposals I have outlined. If the government is interested in preserving the family farm, surely it will be prepared to take action on these reasonable requests which come from the farming community.

Mr. John Harney (Scarborough West): Mr. Speaker, I think I will follow the example of the two previous speakers and be as brief as possible, although I must give you due warning about an occupational habit of mine, that as a former university lecturer I tend to go for 50 minutes until the bell rings. But I will try to see if I can finish in five minutes.

Although there is very much to be said about this bill, there is one very small item which I want to talk to tonight. It is small but it does affect some people in this country, not a large number of people, rather intensely. I refer to section 81(1)(h) of the act, which since 1970 has received revision. In the old form of the act it was section 10(1)(h). Now it has moved to section 81(1)(h). I take some comfort in realizing it is possible for tax acts to be amended. Under the old form of the act, section 10(1)(h) used to read:

compensation received under an employees or workmen's compensation act of Canada or a province in respect of an injury, disability or death,

This kind of compensation was to be included in amounts not included in computing income. It has been proven possible to change the act, because the present consolidated version in section 81(1)(h) reads this way:

compensation received under an employees or workmen's compensation law of Canada or a province in respect of an injury, disability or death, except any such compensation received by a person as the employer or former employer of the person in respect of whose injury, disability or death the compensation was paid—

I want to speak in favour of looking at this part of the act a little further to see if it could be amended, because the kind of case I want to raise now, as I suggested a while ago, may not be numerous but it is rather harsh in its nature. I have received representations, as I am sure other hon. members have, from people who have been paid disability pensions in compensation for injuries received while they were working for units or entities which were not covered, strictly speaking, under the workmen's compensation acts of their respective provinces.

[Mr. Holmes.]

I can bring before the attention of the House one particular case, that of a Toronto firefighter who was injured in 1955, in fact injured seriously enough to be granted a rather significant disability pension. It turns out that this man has his pension taxed because, according to the law, his pension is paid under the Toronto fire department's superannuation and benefit fund. The pension was clearly granted for his disability; it is a disability pension. However, at the time he was working for the Toronto fire department the employees of that department were not included, by reason of provincial legislation—not by any choice of their own—under the workmen's compensation act. Still he has his disability pension. He and a number of others are paid out of the superannuation and benefit fund, but in this case it is clearly a disability pension.

Over the years this man has tried to have this pension included in that kind of income which is not considered for taxation purposes, just as workmen's compensation disability pensions are not included in income to be considered for taxation purposes. But, of course, his appeals and his attempts have proven unsuccessful, although he has met with an enormous amount of sympathy. He has gone to appeal boards of the income tax division and he has been told that they would recommend that the law be changed to allow him an exemption.

• (2130)

He has spoken to what he calls government lawyers who agree with him and say, "You are absolutely right; your disability pension should not be taxed." But the fact is that the law is quite clear; on the one hand it says a disability pension granted under a provincial law providing for workmen's compensation shall not be taxable, and on the other hand in other sections the law says that benefits paid under superannuation or retirement funds are taxable. The simple point of the matter is that although this man's disability pension is paid out of the retirement or superannuation fund, it is still, I repeat—and if I have to repeat it again, I will—a disability pension and should not be taxed.

I know it is very difficult to have the machinery of parliament grind fine enough to take care of the few cases of injustice of this kind. I cannot tell you, Mr. Speaker, how many cases there are across the country. I know of this man's case, and I know with regard to the Toronto firefighters that there are about a dozen such cases. We can guess that across the country a significant number of people are suffering under this injustice. But even if there were only one case it would be reason enough for parliament to take action now to correct this kind of injustice.

For a very brief time we will be considering amendments to the act. Since 1950 we have been able to add a grammatical clause to section 81(1)(h). The purpose of the clause—when we get to committee of the whole we can discuss it—is to define this kind of disability pension, even though it comes under a superannuation fund, as a disability pension and therefore remove it from taxation. Surely, Mr. Speaker, it will not take a lot of effort for us to do that. I could understand, if this bill were not before us now, that it would take a lot of effort to do so, and perhaps we could justify our inaction on the basis that we cannot steam up the vast machinery of parliament to take care of this single, simple case.