Starting in 1982, the budget proposes to increase this minimum charge to 2½ per cent per month or five-sixths of the leasing costs, and to apply it in all cases where personal use is made of a company car.

Coopers & Lybrand made the same interpretation of what the Government was trying to do in the budget, and I quote from their budget report on page 16:

Where any personal use is made of a company car by an employee or someone related to him the minimum taxable benefit after 1981 will be either 30 per cent of the automobile's cost (where owned) or 5/6ths of its leasing cost.

When the Bill came down and the explanatory notes came out, Thorne Riddell, Coopers & Lybrand and other experts, and also the Canadian people, found that the Canadian Government went further than that, because page 1 of the explanatory notes to a Bill amending the Income Tax Act said that paragraph 6(1)(e)(iii) clarifies that the operating costs of an automobile used for personal purposes, which are paid by the employer, must be included in income.

As I pointed out, up until now what we have been dealing with is a Ways and Means motion referring to standby cost which is a fixed percentage of either the capital cost of the automobile or the lease cost. That is the motion. When the Act was brought in, it sought to extend the taxing power to the operating costs. In Section 1 the Government seeks to tax the benefits received by a person as it relates to the operation of an automobile, and nowhere is that found in the income tax motion on which the Bill, as I pointed out, is supposed to be based. The income tax motion modifies the application of the standby charge. It does not propose, as the Government has proposed in this Act, to tax the Canadian people on the operating costs of a company car. Furthermore, Clause 1(4) increases the standby charge for automobile sales persons, although no mention is made of this tax increase in the income tax motion.

• (1115)

This charge, I suggest, is particularly curious. It not only increases the tax rate for automobile sales persons, but it makes a substantive change in the Income Tax Act by changing the standby charge for automobile sales persons from three-quarters of 1 per cent to one and one half percent of the automobile's capital cost. Although the charge for sales persons remains in the same ratio to the general charge, for the first time it becomes a set charge rather than a percentage of the general automobile standby charge. We submit authority for these changes cannot be found in the income tax motion.

The second case that I refer to is the corporate distributions tax, Part II, which is found in Clause 109 of the Bill and relates to paragraph 151 of the income tax motion. As noted at page 5 of the January 11, 1983 edition of "The Canadian Taxpayer", this tax will "penalize companies in provinces where the tax rate is more than 10 per cent, but will give a bonus in Provinces where the tax is lower". The publication goes on to note that the anomaly results from the fact that the preferred earnings amount, PEA, to the measure of income to which the tax is applied is structured on a norm of a combined 25 per cent federal and provincial tax. Where the actual rate varies from this norm, the formula does not work accurately. If the rate is higher than 25 per cent, the preferred earnings amount cannot be eliminated by paying out all active business income. This in turn means that the 12.5 per cent tax will be levied on other income of the company, such as investment income when dividends are paid.

While the federal Government may in fact apply taxes differently across the country, and although a minor widening of exemptions from taxes may be allowed, according to Mr. Speaker Jerome's 1974 ruling the Government does not have the specific authority to increase taxation for corporations operating in Newfoundland beyond the level of taxation that is imposed as a result of the calculation of the preferred earnings amount of corporations operating in other Provinces. No provision for such an increase can be found, we submit, in paragraph 151 of the income tax motion.

The remedy that is suggested to the problem which we have posed—that is, the inadequacy of the relationship between the ways and means motion and the income tax Bill—is to postpone consideration of Clauses 1 and 109 until those Clauses can be amended so as to satisfy our objections, or until a Ways and Means resolution can be passed to permit the Bill as written to be passed. We submit that this remedy is consistent with the rulings delivered by Mr. Speaker Jerome in 1974, 1975 and 1978, as noted in Citation 519 of Beauchesne's Fifth Edition, and I quote:

If any of the provisions of the Bill should be found to go beyond the Ways and Means resolutions as agreed to by the House:

(a) a further motion must be passed by the House before those provisions in the Bill are considered in committee;

(b) or the Bill must be amended so as to conform to the motions to which the House has agreed.

Mr. Cosgrove: Mr. Chairman, I rise on the same point of order. I am somewhat disappointed that I did not have prior knowledge of the technical objection raised by the Hon. House Leader for the Loyal Opposition.

• (1120)

The Bill and the Act have been available to Hon. Members of the House and to the public for quite some time. As a matter of fact, the Hon. House Leader, in support of his argument, has used an analysis of the Bill by two firms of chartered accountants and, therefore, obviously many people in the country have had some time to consider this matter. I would have hoped, Mr. Chairman, if the Hon. Member felt that there was such deficiency in the motion tabled before the House, that for the sake of expediting consideration of this Bill, which all Hon. Members in discussion on second reading have considered to be important to Canadians, this could have been brought to the Government's attention for analysis months ago. I am, as I said, somewhat surprised that this technical objection to the first Clause would be raised at this point.

I am prepared to argue, on the basis of the authorities quoted by my hon. friend and as stated by the Hon. James Jerome, a former Speaker of this House, and the test which he did apply in the case cited, that in fact Clause 1, which is