

(c) by striking out lines 42 and 43 on page 141 and substituting the following therefor:

amounts each of which is the share of the income or loss (determined in accordance with subdivision j) of a person who.

[*English*]

Mr. Riis: Mr. Chairman, I must admit that I do not really understand the nature of the amendment. Perhaps as a result of the amendment my question has been answered. The amendment to clause 70 provides that a small business deduction will still be allowed where the shares of a small business are held by a venture capital corporation. Will this particular move not encourage the takeover of small independent businesses by venture capital corporations simply needing tax deductions?

[*Translation*]

Mr. Bussières: Mr. Chairman, in the case of corporations such as SODEQs whose purpose is to provide capital for businesses, I believe that existing provincial statutes governing these corporations specify that the purpose of these institutions is not to take over corporations.

To a certain extent, the provision we are studying in clause 70 will favour or, if you will, allow diversification in the investments of the corporation, but it will not encourage takeovers as such.

The amendment ensures that the \$150,000 ceiling is shared by all members in all cases where the business is operated through a corporation. In addition, such sharing of the ceiling among the various members will be prorated according to the participation in corporate income but not necessarily as a consequence since if I refer to SODEQs, for instance, those corporations are not set up to take control of small businesses but rather to provide capital to help them grow.

[*English*]

Amendment agreed to.

Clause 70, as amended, agreed to.

Clause 71 agreed to.

On Clause 72—

Mr. Taylor: Mr. Chairman, I wonder if I could make one quick suggestion. When ministers are moving amendments, if they could give us in a few words the effect of the amendments, I think it would save us a lot of time.

I would like to raise a point in connection with Clause 72. During the debate on clause 1 I dealt with deemed income. I would like to move an amendment—I am not going to, but I would like to—stating that deemed income, wherever it is applicable to income taxes, shall be deleted from the act. I know that would take a lot of time, and if the government did not support it it would go down to defeat, so I will not follow that course. However, I think I pointed out the other night the dangers involved with deemed income. I ask the minister not to use this in the agricultural or business fields unless there is a very, very definite reason for doing so.

Income Tax Act

I think deemed income is a totalitarian concept, and for some bureaucrat, who perhaps has no experience with a particular type of business at all, to deem how much income there is and not to allow expenses to be deemed, is really something which really frustrates our people.

The Minister of National Revenue told me in a letter that his department would use this very sparingly. I would like to see it not used at all. I think it should be watched very carefully this year so that the next time this act comes before the House we might be able to get rid of this entirely and wipe it out of the act.

[*Translation*]

Mr. Bussières: Mr. Chairman, I have a very brief comment. Certainly, we would be in a serious situation were we to delete every instance of the term “deemed” in the Income Tax Act. I am grateful that the hon. member did not introduce his amendment and so spared us very serious complications. However, I listened and the officials here listened very closely to the speech made the other night by the hon. member for Bow River (Mr. Taylor). He put forward special cases. He did so with his usual eloquence that reflects his concern with the day to day problems we face in our capacity as Members of Parliament. This is more or less the nightmare of all people when confronted with income tax.

I suggest everyone went through these difficulties when receiving a rather high assessment notice without knowing how or why. Because I would think everybody, come fiscal year end, tries to pay income tax as honestly as possible. When one receives such an assessment notice, one wonders what happened, one does not feel very easy in the intricacies, the nooks and crannies not of the National Revenue building but the Income Tax Act itself. I understand the hon. member. He referred to farmers for instance. Our farms have become large businesses. Unfortunately, farmers are not trained as accountants or income tax experts, and this can create problems when something appears to be a mystery in the Income Tax Act. His concerns are well known, they were listened to very closely and he may rest assured that the people responsible for drafting, formulating our tax legislation, will take very special care to consider his representations.

[*English*]

Mr. Andre: Mr. Chairman, I will speak very briefly. I think the hon. member for Bow River has raised a very fundamentally important question which perhaps should be discussed. I cannot recollect a discussion in my years here having to do with the Income Tax Act and the way in which it is enforced.

● (1650)

In many of its aspects the enforcement provisions of the Income Tax Act are more suited to a totalitarian state than to a democracy. Some of them are quite literally Gestapo-like, such as the one that permits the seizure of records. It really is a case of “guilty until proven innocent.” It has always struck me as being rather hypocritical on the part of some of our