

Income Tax Act

Clause 1, section 118, agreed to.

On clause 1—section 119—*Averaging for farmers and fishermen.*

The Assistant Deputy Chairman: Shall section 119 carry?

Mr. McCleave: Mr. Chairman, this section deals with the averaging formula for farmers and fishermen, and it provides substantially what we have had in the law previously. But perhaps it would be useful to have on the record an answer to a question that I would like to present to the parliamentary secretary. I present this question for the reason that we have had some changes in the circumstances of fishermen, particularly as the result of the war against pollution. I am thinking more particularly of the swordfish fishery in my riding.

I suspect that the modifications that are presented to us are really so insubstantial compared with the former law that they are not worth elaborating on, but I would like to give the parliamentary secretary a chance to do that also. It might be helpful if he can indicate that there can be averaging for fishermen who suddenly find themselves in periods of loss because they are no longer allowed to carry out their trade, to go to sea to catch swordfish because of the mercury pollutant level that has been established in those fish. Perhaps they are being hurt by foreign trawlers in offshore waters, and the like. I think it would be worth while if the parliamentary secretary made a statement. I do not expect, a long one. I do not expect, if you will pardon the expression, a Newfoundland-type debate. However, I should like the parliamentary secretary to say something about the points I have raised.

• (5:30 p.m.)

Mr. Mahoney: Mr. Chairman, the only change is that the word "taxpayer" has been changed to "individual" in this particular section, as in another section; otherwise the purport of the section is the same. That is the only modification. The hon. member is quite correct in suggesting that fishermen may average down as a result of losses to their income from the causes he mentioned.

There is one point I should like to take under advisement, however, and that is his suggestion that perhaps a fisherman has completely left the fishing trade. I would not want to give an off-the-cuff answer on that point. For example, if as a result of problems in the swordfishing industry a fisherman has abandoned his occupation as a fisherman and has gone to work elsewhere, that is something we shall consider. I should like to take that point under advisement. However, so long as he is still a fisherman, certainly he can average down.

Mr. McCleave: Mr. Chairman, so that we do not hold up the committee unnecessarily on this point, could we not agree that if the parliamentary secretary needs to examine some of the points I have mentioned in order to reply, that he be allowed to come back to these points and speak to them, and that otherwise the section be passed?

Mr. Ritchie: Mr. Chairman, may I ask the parliamentary secretary a question about subsection (7) which relates to rents or trust income from farming or fishing? Does the wording of the subsection imply that that portion of a

trust income that arises from farming or fishing can be averaged?

Mr. Mahoney: Mr. Chairman, is the hon. member dealing with section 119?

Mr. Ritchie: I am speaking on subsection (7) to be found on page 319 of the bill.

Mr. Mahoney: Mr. Chairman, this provision has been in the act from time immemorial. It is a relieving section and is to make sure that for purposes of averaging that type of income is farm income. I suppose this problem would relate quite closely to the problem I left up in the air when answering the hon. member for Halifax-East Hants. For example, if a farmer leaves farming but rents the farm to someone else, then that rental is considered as farming income and therefore can be averaged back against the years when he was in active business.

[*Translation*]

The Assistant Deputy Chairman: Is section 119 agreed to?

Some hon. Members: Agreed.

Section 119 agreed to.

[*English*]

Mr. McCleave: Mr. Chairman, perhaps this section could carry, with the proviso I made that if the parliamentary secretary needs to reopen discussion on the points I raised, he be permitted to do so in order to deal strictly with those points.

Mr. Mahoney: Mr. Chairman, I will certainly clarify the points of the hon. member, and I agree that if we must reopen discussion on that part of the section, we will reopen it.

On clause 1—section 120: *Addition to tax re income not earned in a province.*

Mr. Lambert (Edmonton West): Mr. Chairman, with regard to section 120 I want the parliamentary secretary to verify what is meant by the words "Addition to tax re income not earned in a province". Does that mean that if part of the income is earned in a province and part is earned in a territory, all the income shall be deemed to have been earned in Canada, or does this in some way say that the individual who has lived for a period in a particular province and then has gone out of the country and earned income for the balance of the year shall be assessed on the basis as though he had earned the income within the province?

I ask this question because section 120(1) provides that there shall be added to the portion of the tax that is payable under the federal portion an amount that bears the same proportion to 30 per cent of that tax that the amount of the income which is earned outside of the province bears to the total income. Does that not mean that if the income earned outside the province were 25 per cent of the total income, there would have to be added 7½ per cent of the tax payable?

It seems to me that here we talk about the proportion that the income earned outside the province bears to the total income for the year. If that exteriorly earned income is 25 per cent of the total, then the portion of the