

differences of opinion as to what constitutes "luxury". We are prepared to accept the \$20,000 limitation proposed in the White Paper for capital cost allowance purposes as reasonable with the following *caveat*:

6.54 17. We recommend that the rules proposed in the White Paper to limit capital cost allowance claims to one-fifth the norm where businesses' driving ranges from 20 percent to 90 percent be rejected, and that the claim be based on the ratio of business driving to total driving.

6.55 18. We recommend that the \$20,000 limit for deducting capital cost allowance on automobiles be accepted but that to this amount be added provincial sales taxes plus transportation costs. We also recommend that the \$20,000 figure be in place for 1988 and 1989 and that an appropriately adjusted figure, taking into account rising prices, be enacted for 1990, with a similar adjustment being made no later than every second year thereafter. In the absence of rules relating to provincial sales taxes and transportation, the type of car deductible in, say, St. John's would be significantly different than in Toronto or Calgary. Finance officials also indicated an intention to "index" the cost of automobiles in some fashion, but we would prefer having a specific rule set out to ensure that the limitation would expire if steps are not taken to update the base.

6.56 Another area of business expenses which has generated considerable reaction has been the proposal to limit the deductibility of meals and entertainment to 80 percent of the actual cost. Some have pointed out the administrative problems which can arise. Others have pointed out that there is an inherent inequity in that employers which are non-profit (such as the federal government) remain unaffected, while taxable entities incur additional tax costs. Some have pointed out that eating out with potential clients or customers does not, for most people, constitute a particularly pleasurable activity but rather a business necessity. Yet most concede that there is a cogent argument to be made that there is an element of personal consumption present, though why a business should pay a tax cost for the personal consumption of a potential customer is not clear.

6.57 In general, we accept the validity of the proposal. However, we do feel that when a person is travelling on business away from his or her home, the personal element disappears since the option of eating at home has been removed.