

HOUSE OF COMMONS

Monday, October 3, 1994

The House met at 11 a.m.

Prayers

PRIVATE MEMBERS' BUSINESS

[*English*]

INCOME TAX ACT

Mr. Vic Althouse (Mackenzie) moved:

That, in the opinion of this House, the government should consider the advisability of introducing amendments to the Income Tax Act so that taxpayers whose income may fluctuate from one year to the next would be able to average their income over five years.

• (1105)

He said: Madam Speaker, I introduced this motion some time ago and it was drawn within the last year. The reasons for the motion are fairly clear-cut. It is based on the assumption that the Canadian economy is much more diverse than what some of our policy makers perceive it to be over the last number of years.

We still have literally hundreds of thousands of individuals who are basically self-employed, who work to fulfil a dream of producing what they want to produce on the hope and the assumption that the price or the value of that production will go up or on the hope that they will eventually be able to produce enough of the product to make it an economically viable entity.

While the Canadian economy may have become more industrial and more global, there are still many people who work on this basis. They are farmers, fishermen, real estate brokers, builders, prospectors, architects, artists, musicians and a host of others who sometimes work years without any real remuneration. Eventually the big income year comes and they have in the past been encouraged in their activities which are useful to the whole of Canadian society with the concept of income averaging.

There is a great deal of income fluctuation in some of the sectors of our economy simply because of changes in production due to cyclical weather patterns whether it is in fishing, farming, forestry or a whole host of other businesses attached to those.

There is also fluctuation as world prices go up and down. No matter how efficient a producer one is of wood products or agricultural products or fish products, when the world price is down one is going to show a loss.

However those people do not give up and quit simply because they have a loss in one year. They know that it will turn around. They hope that it will turn around. They realize that their activities are of use to society in general. People have to eat. People need wood for their houses and for their shelter and so they continue.

I brought the motion to the House because we once had three methods of averaging income for the diverse group of people who have up and down incomes. We had general averaging which was available to all taxpayers. At one point it was actually worked out by the department itself when incomes exceeded 120 per cent of the previous year. It was almost automatic.

We had for a while income averaging using annuity contracts which was introduced for a few years. We had five-year block averaging for farmers and fisherpeople.

I want to do a bit of past history of these with a brief explanation because in 20 minutes one cannot do justice to the issue. Prior to June 1992 general averaging, as I said, was available to all. We could go back five years and pay not only income but losses in those five years. This was finally replaced in 1982 with something called forward averaging.

However even tax experts admit this is only helpful when incomes decrease significantly so that a person can be put into a lower tax bracket. It is used by retirees, by athletes who are on their way out, by people who are pulling back rather than to encourage production which is what the original averaging plans did.

Tax experts like Beam and Laiken conclude that the forward averaging has not been a suitable replacement and has not done the job it was hoped it would do.

• (1110)

The income averaging annuity contracts which I mentioned were available as well were of very limited use. They were used for the collapsing of RRSPs when people reached the age of 70 or 71 years.

It was used for the utilization of capital gains provisions which were changed in 1982. It is probably not used very much