

*Income Tax*

**Mr. Blenkarn:** Mr. Chairman, we have had several discussions with respect to the grouping of Clauses. It would be our view that Clause 1 should be discussed next, and should be discussed separately. We would then go on to Clause 6 which deals with terminal losses. We would then go on to Clauses 8, 9 and 128(12) which deal with small business bonds. We suggest then that we go on to Clauses 7, 12(2), 44 and 45 which deal with loans to shareholders and employees, or employee benefits of that nature. We then suggest we go on to Clauses 54(1), 86, 90 and 109 which deal with small business taxation.

**The Deputy Chairman:** I understand that Clause 1 is to be debated separately, but I wonder if the Hon. Member for Mississauga South would indicate to me whether or not it is the case that the remaining Clauses or Subclauses which he has mentioned—

**Mr. Blenkarn:** That would be the next five separate groupings. If we could go to Clause 1 now we could carry on with that until we had a reasonable discussion on Clause 1. Then I suggest we have a discussion on Clause 6, followed by Clauses 8 and 9, which deal with the small business bond, but that would be a separate discussion.

**The Deputy Chairman:** I will hear the Minister of State for Finance, if he wishes to make a contribution on the point, but the Chair is not clear as to how the remaining Clauses after Clause 1 are to be grouped. Are they all in one group or are they in several groups? As I understand it, there may be agreement to proceeding to Clause 1.

**Mr. Cosgrove:** Mr. Chairman, I want to deal with the proposal that we go to Clause 1. I am not proposing that we proceed to Clause 1 at this time.

In considering Clauses 3 and 16 we had a request from the Member for Mississauga South that the issue of notaries from the Province of Quebec be included in the exempt category under work in progress. I indicated that there were no amendments put forward to those Clauses because that exception would have to be dealt with by way of definition, under the definition section included in Clause 128 of the Act, and that because it was urged that the section be expanded so as to include notaries from the Province of Quebec, I indicated that we were in agreement to put forward Clause 128, which in effect was an expansion of the exemption under Clause 3.

I know that the Hon. Member for Mississauga South wondered why we had to go to the definition section instead of amending Clause 3. I provided him with an explanation. I wonder, Mr. Chairman, before we do proceed with Clause 1, whether the Hon. Member for Mississauga South and other Hon. Members would indicate whether they are now agreeable to having that Clause amended by the amendment to Clause 128.

**Mr. Blenkarn:** Mr. Chairman, it was indeed unfortunate that the Government, in its effort to smash professional groups

and tax professionals unconscionably on their work in progress, insisted on refusing—

**The Deputy Chairman:** Order, please. My understanding is that at the moment there is some negotiation taking place in Committee as to whether or not the Committee will consider Clause 1 and Clause 128(1) together. Am I correct?

**Mr. Blenkarn:** That cannot be done.

**Mr. Cosgrove:** Mr. Chairman, the Hon. Member for Mississauga South proposed that we proceed with Clause 1. I inquired whether the Hon. Member for Mississauga South would prefer that we deal quickly with the amendment to include notaries, which was requested by the Hon. Member early in the proceedings. That was my question.

**The Deputy Chairman:** That is my understanding. In view of the fact that we are in Committee of the Whole, I presume that the Hon. Member for Mississauga South would like to address himself to the question put by the Minister.

**Mr. Blenkarn:** That is what I was doing, Mr. Chairman. The problem is that we should have amended Clause 3 and Clause 16 when they were before the Committee. The Minister has now tried to correct his stomping through this Act by fooling around with Clause 128. Unfortunately, when he changes Clause 128 he increases the burden in the taxation of notaries beyond that contemplated in the Ways and Means motion. Because by amending Paragraph 125(6)(f)(i) of the Income Tax Act he makes it so that if a notary were to incorporate by some method, that notary would then have to pay a corporate tax rate at the level of 33 per cent. At the present time if a notary or a group of notaries are entitled to incorporate, they only have to pay at the small business rate of 15 per cent, or 25 per cent in total when the provincial tax is included. The effect then is that by amending Clause 128 the way the Minister wants to do it, he potentially increases the burden of tax on that group of professionals.

• (1640)

**The Deputy Chairman:** The Chair has a difficulty. There is not before the Committee at this moment a Clause for consideration. As I understood the exchange between the Minister of State for Finance and the Hon. Member for Mississauga South, the issue is whether or not the Committee would now review Clause 1 or whether it would review Clause 1 provided that the Minister were permitted to put forth his amendment to Clause 128(1). That is my understanding. This is not the time for debate on Clauses or amendments which have not been put. The Chair has to know which Clause is going to be discussed or debated.

**Mr. Fisher:** Mr. Chairman, the question to our colleagues and friends opposite is very direct. One word, yes or no, will help us out. Is the Hon. Member willing to consider the amendment to Clause 128 prior to our deliberations on Clause 1? If so, we would then go to Clause 128. If not, we will go to Clause 1. The Hon. Member can help us with his reactions.