

Income Tax

Mr. Stevens: I would like the minister to expand on this. That was my impression until I started to check into it. I was speaking not to the departmental people but to tax consultants, and I could not get confirmation that it was deductible—certainly not 100 per cent.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, we will give the hon. member the answer to that question as soon as we look at the regulations. It is a medical expense. We will get the section in a minute.

Mr. Jones: Mr. Chairman, I would like the minister to explain fully subclause (5) on page 178. I would like to know the purport of this provision. Considering the high unemployment situation, how does the minister define the words "perpetual poverty"?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I will be glad to do my best to satisfy the inquiry of the hon. member. This amendment makes a relieving change to subsection 110(2) of the act under which a member of a religious order who has taken a vow of perpetual poverty may deduct from his income an amount equal to his earned income. Earned income is generally income from employment and business. The deduction equals the income which goes to the order and is not taxable to them. Earned income is generally income from employment and business.

Although paid in respect of employment or past employment, superannuation and pension benefits do not form part of the taxpayer's earned income. This amendment, therefore, provides that a taxpayer who is a member of a religious order and has taken a vow of perpetual poverty may deduct superannuation and pension benefits as well as earned income from his income, the reason being that superannuation benefits are not within the general definition of "income" under the Income Tax Act. This amendment will result in a retired member of a religious order being put in the same taxation position as a member who continues to work in a religious order.

Mr. Jones: Mr. Chairman, I do not know how to figure out "perpetual poverty". There are a lot of people in perpetual poverty vis-à-vis a lot of other things. How do you define that? Does a person have to belong to a religious order to get in on this deal?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, this is not the vow one takes when becoming a member of parliament. It is a vow taken in a religious order, under the rules of that order, whereby a man or woman who becomes a member of a religious order of a denomination that recognizes the vow of poverty disclaims any future right to income, the income going to the order. He or she has no future right to that income.

For many years it has been recognized under the Income Tax Act that the deduction from income is equal to what he or she earns by way of employment in a hospital or school. The money is transferred directly to the order. He or she does not get it and therefore pays no tax on it. However, since the definition of "income" within the act does not include superannuation benefits, this is an extension to ensure that such benefits are now included.

[Mr. Turner (Ottawa-Carleton).]

Mr. Jones: If a person is entitled to superannuation or pension benefits, apparently through the order, he must have obtained vested rights in superannuation or some type of pension. He would not, then, be perpetually in poverty. He must have a right; he is not poor.

Mr. Turner (Ottawa-Carleton): His employer, the hospital or what have you, may have contributed to that pension plan. The man or woman has disclaimed a right in it and has assigned it to the order. The amendment provides that he or she is not taxable on it, in the same way that no tax is paid by those who have taken a perpetual poverty vow during their working lives. There is nothing revolutionary about this. It is just a fact that now in hospitals, schools, and so on, members of religious orders who work for nothing, assigning their money to the order, have an extension of that principle upon retirement.

Miss MacDonald (Kingston and the Islands): Mr. Chairman, I ask for clarification on a matter raised by the hon. member for York-Simcoe concerning persons who are forced to retire on pension for medical reasons and feel they have been victimized under the tax law. In his reply the minister indicated that he felt there had not been a sufficient number of representations made to provide for remedial action in this regard. However, in a letter which he wrote earlier, the minister said this had not been brought about because it would be difficult to distinguish, under the tax law, between varying degrees of disability or incapacity. In other words, he stated previously in writing that no changes had been made because of the difficulty of applying medical standards to this problem. He now seems to be saying there are not enough representations to justify remedial legislation. Which of the two reasons does the minister now wish to put forward to these people?

Mr. Turner (Ottawa-Carleton): Madam Chairman, that is not what I said. I asked the hon. member for York-Simcoe how many cases there were. I said there had not been many representations. My reason for excluding this type of deduction is the one I gave to the person who wrote to the hon. member for York-Simcoe, namely, that it would be very difficult to draw a line to include this type of deduction in a global statute such as the Income Tax Act which applies to Canadians generally. I would advise the hon. member for York-Simcoe that I now have the section which allows as a medical expense an artificial limb, iron lung, and so on: it is section 110(1)(c), item (9).

Mr. Wise: Mr. Chairman, I have a question with regard to travel expenses incurred for medical purposes. The case I have in mind concerns dialysis patients who sometimes find it necessary to travel a considerable distance at regular intervals in order to receive treatment. Are such travelling expenses covered in this bill or are they allowed as a medical deduction?

Mr. Turner (Ottawa-Carleton): Yes, Mr. Chairman, within a certain mileage. There is a limit. We incorporated this provision in the last budget. As a matter of fact, the former member for Skeena, Frank Howard, was particularly interested in this. I am trying to get the particular section. We dealt with this matter in the last bill.

Clause agreed to.