

Income Tax Act

Mr. Macdonald (Rosedale): As I understand it, Madam Chairman, the amendments in question arise from a discussion that took place between representatives of all four parties and the chief electoral officer on April 14, 1975, concerning certain unanticipated consequences of the new political contribution provision. The amendment was drafted to reflect the consensus obtained at that meeting.

● (2020)

I suppose the most important and substantive provision in the amendment, which also makes certain clarifying and technical changes, is that with respect to the definition in Section 127(4.1), referring to all amounts contributed to be cash or a cheque. This definition operates in conjunction with the provisions of 127(3.1), which refers to receipts being issued by parties and candidates to persons for services rendered. Section 127(3.2) provides that the amounts contributed must, of course, be deposited by the official agent of the candidate forthwith in a bank, credit union or trust company, and official candidates in northern isolated constituencies are excluded from this particular requirement for obvious reasons.

As a consequence of this there are three consequential amendments. The amendment to Section 231 of the act and Clause 12 of this bill provides that duplicates must be kept of receipts issued for amounts contributed, referring to "amounts contributed", taking the term of the art rather than the contribution.

The amendment also establishes a standard of verification to which registered parties and official agents of candidates must keep their records or books. The amendment in 12(2) of the bill changes the reference in 231(4) of the act from contributions to the newly defined term "amounts contributed", and the amendment to 13(1) of this bill brings this within the purview of the penalty provision. Under Section 238(2) of the act we cover persons contravening the provisions of the new Section 127(3.1) and (3.2).

I would have to acknowledge the fact that that particular section of the bill is a potpourri, but I am advised that the reason for two dissimilar amendments being put in together is basically for structural purposes in the act itself, and in particular so as not to disarrange the provincial tax credit. Perhaps in terms of presenting the legislation logically that might not meet such a standard, but I am advised that within the broader context of the bill there is certain logic to it, though not readily apparent.

Mr. Lambert (Edmonton West): I guess we will have to take the minister's word for it. The problem that arises is precisely a result of the fact that the minister has finished his answer in that regard to Clause 9 and now we come into the tax credits.

While I have not given the consideration in depth that one would require to become an expert, I find some confusion in respect of the investment for the purposes of manufacturing and processing. While this does allow manufacturing and processing on their own there is a disqualification in respect of property in Clause 12(b), line 22. So one still cannot invest in a building which is used for storing, shipping, selling or the leasing of finished goods.

[Mr. Lambert (Edmonton West).]

If an investor were going to put money into a building for manufacturing or processing, how is it that that part of the building which might be used for warehousing of the finished products cannot be included? If the building were to be used for the purpose of storing raw materials it would be included, but that portion of the building used for administration, including clerical and personnel activities, would not. Am I correct, or am I making a wrong assumption and that these uses must be exclusive to the building? In other words, the building must be used exclusively for the storing of raw materials, and a building used exclusively for the storing of finished products will be disqualified, but if those portions of the building form a manufacturing unit there would be a qualification?

Mr. Macdonald (Rosedale): Madam Chairman, the understanding expressed by the hon. member for Edmonton West is substantially correct. The purpose of the exclusion here was to make it clear that the government's tax credit is made available basically for productive or processing facilities as opposed to those further down the stream in the distribution section. It could well be argued logically that storing facilities of a manufacturer at the very end of the process might be included in that regard. I think the feeling of my advisers is basically that it is very difficult to include that particular storage without raising questions about storage for the distribution sector.

Going to the hon. member's final question, the storing of raw materials as an integral part of the productive or processing operations would indeed be included. The raw material at the beginning part of the whole mill operation would be included, even if there were storing facilities, but the facilities in which the product is stored preparatory to shipment would not be included.

Mr. Lambert (Edmonton West): Yes, but then we come to the next one which refers to facilities for employees, including cafeterias, clinics, and recreational facilities. I find it extraordinary that while the manufacturing and processing part which has facilities for the storing of raw materials would qualify as an investment, that part of the building for administration and clerical activities would not. The cafeterias and other staff buildings for employees in the manufacturing and processing operations are part and parcel, particularly the cafeteria, but would be excluded. I find that somewhat difficult. Would the minister comment?

Mr. Macdonald (Rosedale): I think it is fair to comment that if it were all part of an entirely new installation these facilities for the storage of raw materials would be an addition to the productive capacity and in that case would be included. Desirable an objective as it might be to upgrade the facilities for the working force by some addition in the way of an investment in these facilities, which would not result in an addition to the productive capacity, it would not be regarded as being within the terms of the amendment.

In other words, we are looking for additional processing or productive capacity, which we know is going to result in larger throughput as opposed to ameliorating the circumstances of an already existing plant.