

*Income Tax Act*

long formula. I do not think that this provision helps this statute.

• (3:50 p.m.)

Section 6(1)(f) deals with employment insurance benefits, and here again I think an injustice is done. The employee is charged with the benefits if the employer makes a contribution. In such case the benefit received is taxed as a deduction for the dollar value of the premiums paid by the employee. If the employee pays all of the contributions then the benefits are not taxable; but should his employer pay just \$1, then all of the benefits less the employee's portion of the premiums are chargeable. I cannot see the logic of this. Would it not be more consistent to base the benefit of the employee on that portion that is paid? If his employer pays half the premiums, then why not charge half of the benefits to the employee? If the employer pays 10 per cent, then the employee should only be charged with 10 per cent of the benefits. I think that is the only way.

I should like to pass on now to section 6(8). Here again I should like to reiterate the arguments made by a number of my colleagues. Frankly, I cannot see in this day and age why we are establishing that in business terms a wife is to be regarded separately from her husband, particularly in cases where a husband and wife are working together. Why cannot a distinction be made between them?

I would say this provision is an unnecessary exercise. It is a shame to force the husband to incorporate his business. He owns all the shares, though his solicitor can hold one qualifying share in order to make it a private company. His wife can work as a secretary or clerk and receive pay, but her income is treated separately and the parties are taxed as two individuals. In many cases in order to do this work the wife has to hire assistance to take care of her children, which would qualify her for child care benefits. However, under the act we consistently deny this distinction between husband and wife. Not only is the salary paid to the wife not considered as an expense of the business, but she will not be able to qualify under the child care benefit provision of the act.

Even further than that, suppose the husband is in partnership with one or more individuals. Let us take the case of two or three doctors and a dentist who are in partnership in a small country town. In order to operate their office efficiently the wife of one of them, who may be a trained nurse, acts as a nursing assistant or as nurse-receptionist at their clinic. In order to do so, however, she has to hire someone to look after her children. At the present time, because her husband is a member of a partnership her salary is not deductible as an expense of the partnership. Even though this is a legitimate expenditure that is normal for such a business, just because she happens to be the wife of one of the partners her salary is not regarded as a business expense. In addition to that, section 63 denies this wife who is acting as a receptionist to the doctors and dentist, child care allowance.

If the parliamentary secretary would rather I got away from the professions, take the case of the trucking firm, the plastering firm or two or three plumbers who work together. They do not incorporate their business and have good reason not to do so. As my colleague from Lambton-Kent pointed out, because of credit restrictions or other

conditions banks may prefer them not to incorporate. Nevertheless, someone has to keep the books and answer the telephone on a half day basis.

**The Chairman:** Order, please. I regret to interrupt the hon. member, and I do so only to advise him and the committee that his time has expired.

**Mr. McCleave:** Continue.

**The Chairman:** Does the committee give unanimous consent?

**Mr. Lambert (Edmonton West):** Mr. Chairman, if the parliamentary secretary wishes to speak, let him do so.

• (4:00 p.m.)

**Mr. Mahoney:** We seem to be building up a good sized inventory of inquiries and comments, so probably I should take an opportunity to deal with at least some of these.

The question which the hon. member for Edmonton West just raised was brought to us in terms of the "Momma and Poppa corner store" by the hon. member for Halifax-East Hants and a number of other speakers during consideration of sections 4 to 8 of the bill. The provision they are actually complaining about is contained in section 74(4).

**Mr. McCleave:** Section 6(8).

**Mr. Mahoney:** No, to be perfectly clear, section 6(8) contains the saving provision which makes certain that people who receive that kind of income, which is not deductible by the husband, do not have to include it in their income. To make it very clear, they are not taxed on the payments their spouse would not be able to deduct from his income. Strictly speaking, the problem complained about arises in section 74, and with respect I would suggest that is the place to deal with the point. The point has been noted and we certainly will deal with it at that time.

The question of exclusive use of an automobile in section 6(1)(e) has been raised by a number of speakers. The word "exclusive" there is designed to make sure that the benefit is taxable in the hands of the taxpayer, whether the vehicle is for his exclusive personal use or for mixed business and personal use, and it goes back to the root definition of income being the sum total of benefits which the taxpayer obtains from his employment.

The matter of salary continuation insurance or income maintenance plans referred to in section 6(1)(f) has also been raised on numerous occasions. Some members have suggested that an employee should be able to deduct his premiums, or a portion of the benefits attributable to that part of the premium paid by the employee should not be taxable. The bill before the House does provide that an employee may not deduct his premiums paid to a plan each year, but when a benefit is received the employee will be able to deduct from the benefit all premiums paid since 1967, not previously deducted. In other words, he will be allowed his own contributions free of tax before any amount is added to his income. Again, we get back to the root concept of a man's income being the sum total of benefits he receives from employment.