Clauses 4, 9(2), 9(4), 13, 14(1), (2), (3), (4), (5), 15, 17, 18, 19, 20, 22, 33(1), 33(2), 34, 35, 38, 46(2), 46(3), 46(4), 46(10), 47, 48, 57, 58, 75, 78, 81(1), 81(3), 102, 105(1), (3), (4), (6) and (7) agreed to.

• (1230)

On Clause 3—*Employment Expense Deduction*

Mr. Blenkarn: Mr. Chairman, the clause is a clause that does two things. It advances the $500 deduction. We are in favour of that. It does create great complications with respect to foreign earnings. There are many easier ways of handling that matter. In view of our desire to move this Bill ahead and be co-operative with the Government, we are prepared to allow Clause 3 to go on division.

Mr. MacLaren: Mr. Chairman, so that I can understand the procedure you intend to follow, I believe the Member opposite has suggested that Clause 3 pass on division. That is, of course, acceptable to us.

I had asked whether I might have the occasion to introduce an amendment to a clause which we have not yet reached, sub-clause 98(1). I believe there has been some consultation with our friends opposite. This amendment is of a technical character and, if our understanding is correct that this amendment gives no problems, I would ask whether I might move it at this stage and we could—

Mr. Blenkarn: I have discussed this with my colleague for York North and he would like to go into the matter and have a very good look at it personally. I think we could have that done immediately after Question Period this afternoon. We certainly want to accommodate the Government, as far as I can see, on that clause. I think it is only fair if the Member for York North wants to look at the clause again that the Government leave that alone. Let us carry on at this point with regular progress through the Bill.

The Deputy Chairman: Shall Clause 3 carry?

Mr. Blenkarn: On division.

Clause 3 agreed to.

On Clause 6—*Election*

Mr. Gamble: Mr. Chairman, this is the first opportunity that I have had to deal specifically in any fashion with the amendments to the Income Tax Act which are presently before the House. I would have hoped that this Committee might have carried out the function of examining in detail the individual clauses of the Bill, which are numerous and voluminous in kind and content, so that we might better understand it, other than from a harangue of the kind which we have just had from the Parliamentary Secretary to the President of the Privy Council.

This gives us an opportunity to deal with the difficulty which ensues when the House rushes through legislation without ever examining it. We have heard what the explanatory notes on the bill may say. We hear that regularly. Nobody here seems to read the sections or the clauses. The reason we are dealing with Clause 6 in this Bill is that when we dealt with its predecessor in Bill C-139 we did not bother to exercise care. Now we are back here because allegedly it should be corrected.

Let me ask the Minister whether indeed that is the case. When we are dealing with Clause 6, are we not going back and trying to rectify something which was overlooked when Bill C-139 was last before this House? Would the Minister deliver a response to some of these questions succinctly so that we can carry on with what I consider to be an essential examination of the provisions of this paragraph?

Mr. MacLaren: Mr. Chairman, the answer is yes, insofar as the clause arises from Bill C-139. It is a clarification of the intention in that Bill.

Mr. Gamble: Mr. Chairman, that is the problem with this whole process. There is a great stampede to pass taxing legislation. We refer to this Act which is being amended as the Income Tax Act. There are a lot of things that are not income that are taxed. Over the years we have seen a gradual erosion of the general principles of the taxation of income. Originally you taxed something that was income, that had come in, that you had physically in your hand and could accordingly appropriately share a portion thereof with the tax collector. That is not the case any more. You are taxed before the fund ever comes in.

When we looked at the extensions under C-139 we saw that not only were you taxed when you send an account which hopefully would give rise to something coming in, but you were to be taxed on the work you had done before you ever rendered the account. When we deal with the taxation of the benefits that accrue under annuities and the alleged benefits that accrue under insurance policies, which are now part of the alleged Income Tax Act, we find that there is an assumption that an annual taxable accrual will result in the event that, under the section to be amended, which is subsection 12.4(4), once an election had been made to pay the alleged income on an annual basis that election could not be changed.

We are now told, if we read the explanatory notes with respect to Clause 6, that that will all be changed. Indeed, once an election has been made on an annual basis to treat an amount which is not income as income, a change may take place in the future. I would like the Minister to explain to me how that has happened. If he looks at the words in Clause 6 he will find that where in a taxation year a taxpayer who holds an interest in a number of things has in a year or a preceeding taxation year elected, in respect of that interest, by notifying the insurer, then an amount must be included in the computation of his income for that year. That follows *ad infinitum*. As long as one election has been made, then a preceding taxation year is the year in which it was made and in all subsequent years the election shall be deemed to have been made.

How is that any substantive change from the wording of the Act now which provides that once the election has been made it shall be deemed to apply to all subsequent taxation years? In