

Income Tax

Mr. Cosgrove: Mr. Chairman, there was considerable debate in committee on, I believe, the two points raised by the Hon. Member. I am told that the consensus of the private accountants, that is, those people who made submissions to the Committee on Finance, was one that did not coincide with the opinion of the Hon. Member in so far as the underground economy was concerned. All I can do is to report that to the Hon. Member. This was a committee consisting of Hon. Members on both sides of the House which asked for input from the profession as to what they thought of the points raised by the Hon. Member. Obviously there are some people who will try to avoid paying tax, and some people who will be outright dishonest. I suppose, in the final analysis, there are some people who will commit an immoral or criminal act in so far as Government regulations are concerned. But the consensus of opinion is not that which was expressed by the Hon. Member, that the underground economy is of the proportions of which the Hon. Member has tried to convince Hon. Members here this afternoon.

I thought I had answered the question of how you value ideas, or how ideas, transcribed on paper as in the case of architects, could be dealt with by the profession, and that is by valuation under Section 10. The architect is the best person qualified to put a value on that, and his valuation is one which will be, I submit, taken into account by the Revenue authorities.

The Hon. Member asks if this Section is reasonable. I argue that it is reasonable and it is equitable. As to the revenues which are generated, which the Hon. Member talked about, the \$40 million, the Hon. Member might go back to my rationale as explained at the beginning, that is, that some small-businessmen have an advantage over other small-businessmen, and it is backing up to the extent of \$40 million. If we permitted the same kind of advantage or parallel advantage to be granted to small-businessmen, and used that as an equitable basis, the general revenue fund of the Government of Canada would be increased by some \$40 million. The Expenditures of the Government with its programs and the cost of providing services, are thereby enhanced by that \$40 million on all counts. I believe it is reasonable, and it is just. The accountants who have made submissions have indicated that neither these amendments to the Act, nor the Act, are "on tilt" to the extent of which the Hon. Member has urged this afternoon.

Mr. Blenkarn: Mr. Chairman, the Minister will know, if he takes a look at the record of that committee and reads the testimony of Donald Huggett from Coopers & Lybrand, that a great discussion took place with respect to the underground economy, the extent to which the complications of the Act were increasing the size of the underground economy. In answer to my colleague, the Hon. Member for York North, the Minister referred to Section 10 and said something about the lower of either cost or market value. Does he not realize that the amendment which he is proposing in Clause 6(3) of this Bill amends Section 10(4) of the Act by making Clause 10(4)

with respect to work in progress mean the amount which can be reasonably expected to become a receivable thereof after the end of the year? In other words, rather than being the lower of cost or market value of the work, it is the value that is intended to be received. That is what the complaint is all about. Rather than treating professionals like the manufacturer who has half completed his work, there being no value attached to what he has done, what you have done is to treat a professional on the basis of what he may well be able to build when his work is completed. In other words, if he has done three-quarters of the work, he must bring three-quarters of the value of his bill into income. This does not make any sense in a profession because three-quarters of the value is determined after the work is totally done. It cannot be determined what the value of the work is when it is only three-quarters done. What you have is a nothing becoming a something. The something is only a something when it is completed. That is why professionals should not be charged for their work in progress. They have no asset that can be determined to be the lower of cost or market value. Therefore, it has no market value. That is the very reason this crazy amendment, this expropriatory amendment is put into the Act. Will the Minister please withdraw that amendment? It makes no sense. It is totally unfair, and that is the reason for the complaint.

• (1600)

Mr. Fisher: Mr. Chairman, I do not know how appropriate it is, but I would like to congratulate you on the terrific job you are doing. You look marvellous in your new role. I now see the regular Chairman reappearing. He does not want you to continue because you may take over his job permanently.

The Hon. Member for Mississauga South is an acute analyst of the Income Tax Act. We had many differences of opinion in the committee hearings. Perhaps this question best clarifies the difference between us. I would like to point out that, as with inventory, a professional will pay the lowest cost.

Mr. Blenkarn: No, Sir. Not according to this.

Mr. Fisher: He will have to pay the lowest cost. There are times when a professional will not be able to bill for the full amount of his effort. He may discover that he has put too much time into the project and cannot bill for a full effort. Therefore, he will go out with a value on his item at its cost, for tax purposes, rather than cost plus profit. Or he might be a professional who is out of his depth. Perhaps when I start practising law everything will not be a profitable situation. Maybe people will not be willing to pay me for my advice.

Mr. Young: Don't do it. You will wreck the profession.

Mr. Anguish: Hear, hear!

Mr. Blenkarn: Mr. Chairman, I rise on a point of order. Rather than compliment me on my understanding of the Act, would the Parliamentary Secretary read Subclause 4? He will note that work in progress is specifically differentiated from the cost of advertising and packaging material. Advertising and packaging materials are dealt with in Subclause (b). In