

Income Tax Act

You will observe that there are two great differences here. In the first place, as the hon. member for Eglinton has suggested, in the United Kingdom they did not wipe out all depreciation. In the second place the step taken does not become effective until April, 1952. I am not going to labour the matter because I am sure the minister has a very open mind and is going to do a lot of the things we want, and I do not want to irritate him so he might be less likely to do those things. But I want to mention two or three classes which I think cry aloud for adjustment under the wording of the minister's budget speech, which put the matter very clearly and which I have read to him this afternoon. The three classes I want to mention by way of summary are: first, where a firm or individual was committed to capital investments at the time the order became effective; second, where there is merely a change in the form of ownership after the order became effective; third, where the property purchased was used or secondhand. I think the minister will agree those are all problems which demand sympathetic attention by the Department of Trade and Commerce.

Mr. Abbott: All three are being considered.

Mr. Macdonnell (Greenwood): Then there is the question of the wording in section 1, where a new phraseology has been pointed out to me. Instead of the words "reasonable allowances" which I understand have been used in the past, we have a new phrase, "allowances (not in excess of reasonable amounts)". The suggestion is made that it is going to be confusing to have these different wordings. Perhaps the first question to ask the minister is whether they mean different things, because if they do that is another matter.

Mr. Abbott: These amendments were drafted by the Department of Justice, and I should not think there would be any serious confusion. It is to prevent abuse, of course, as my hon. friend appreciates, and any taxpayer who is dissatisfied would have the right of appeal. It would be a question of fact whether the allowances for travelling expenses came within the terms of those words and were in excess of reasonable amounts.

Mr. Macdonnell (Greenwood): But with his legal background I think the minister will agree that just as sure as shooting if that ever comes up for interpretation the first thing lawyers will say is, "Well, they used different words. They could not have meant the same thing, or they would have used the same words." Then presumably it would

be easy for one side to suggest that these words are more restrictive, and for the other side to suggest that they are less restrictive. Does not the minister agree that it would be sensible to use the phrase which has been used in the past and which has the sanction of usage behind it?

Mr. Abbott: I am told there is a reason for the distinction. I am afraid I had not given it the consideration my hon. friend has. The reasonable allowance phrase is found in section 5 (b). In that case the allowance in excess of what would be a reasonable allowance I suppose must be included as income and would be subject to tax. I really do not think it will give rise to any difficulty. This is intended to be a relieving provision, of course, because under the act as it now stands per diem travelling allowances are not allowed. It is felt that in all probability it is more economical to allow employees, such as civil servants and others, who are travelling to have a fixed allowance for travelling expenses, which obviously would be established on the basis of what it would reasonably cost them to live. If by any chance they were able to save a little on that I do not suppose anyone would question it.

Mr. Fleming: I wonder if the minister would indicate in more complete detail the types of allowances contemplated in subsection 2 for agents-general of provinces while in Ottawa.

Mr. Abbott: I understand that certain provinces maintain representatives here and that, as is the case with our diplomatic representatives abroad, in addition to their salaries and other remuneration they receive what is described as a representation allowance, I suppose to enable them to look after the expenses necessarily incurred when businessmen or others from their province are here on business. They act in a somewhat similar way to our trade commissioners and diplomatic representatives abroad. I believe they have been maintained here since the beginning of the last war, when many businessmen from the more remote parts of Canada were coming to Ottawa in connection with war business and it was found useful to have a provincial representative here to assist them in their discussions with government departments. Essentially it would be analogous to the representational allowances which I understand our diplomatic representatives and trade commissioners receive while abroad.

Section agreed to.