

Income Tax Act

incorporating. Although mamma may sit there for 16 hours a day and papa may be out doing something else for part of the time, all the income received from that operation is taxed in the husband's hands. If the store were incorporated, the wife would be taxable on her salary and she would be permitted one thing that is an important benefit under this new act, that is, a deduction for child care expenses. This means if mamma and papa operate the store on their own and the child has to be looked after outside, there is no way under the proposed legislation that any benefit can attach to papa taxpayer.

All this could apply to other types of business, Mr. Chairman, but the corner grocery store is recognized as an institution and for which perhaps we all feel something should be done. Maybe I can reach the hearts and heart-strings of the government by concentrating on it rather than on a small garage or specialty shop. In any event, put mamma and papa to the expense of incorporating, probably several hundred dollars, and lo and behold the magic of the act takes over and they are entitled to child care expenses.

I do not think this was intended. Indeed, I am sure it was not, because no madman would intend to achieve a result like that. None the less, suddenly we find that technicalities are creating an injustice. It is part of our job in this chamber, when dealing with awkward technicalities, to do our best to see that injustices do not happen, particularly to people who are hanging on by the skin of their teeth in the face of competition, people who work long hours for little return. However, I think anyone who runs out of bread on a Sunday, or sends his child out for a bottle of milk, will be using the corner store operated by mamma and papa. I think I have made the point sufficiently for it to be studied by the parliamentary secretary and his officials. Before we get through these sections I hope some heed will be paid to my complaint.

I have four other points, also of a technical and, I think, important nature. The first point concerns those parts of section 6 which deal with automobiles. Some questions were presented by the Canadian Chamber of Commerce in its submissions of September, 1971. On page 21 of their booklet they ask:

Is it the purpose of these provisions to place a minimum on the amount of any benefit taxed in the hands of the employee or shareholder?

That refers to the use of the automobile, the company car.

The phrase "exclusive personal use or otherwise" used in both taxing sections is not clear. Does it mean exclusive use as opposed to use by several persons? Clarification is also required as to what elements go into "cost" in these circumstances.

These are technical questions, perhaps as interesting to many Canadians as to mamma and papa because there are a lot of people who enjoy the automobile, such as travelling salesman. There is the question of dividing its running expenses between the operation of the employer and the personal use of the salesman. I present this question for the consideration of the parliamentary secretary.

The third element, which is perhaps not so much a technical one as a question of policy, concerns employee insurance benefits. Under section 6 (1) (f) it is proposed to tax all of the profits under the plan if it is supported by the employer. I suggest this is a little too sweeping. The

employee may pay part of that insurance and, if so, I suggest that only part of the proceeds should be taxable or the employee should have a specific deduction for his share of the premium. I hope the parliamentary secretary will deal with that question.

I ask whether strike pay is to be taxed. My understanding is that it is not, but that unemployment insurance benefits are to be taxed. I think the niceties there escape most of us and warrant some elaboration from the minister. Finally, Mr. Speaker, I raise another point which comes from the brief presented by the Canadian Chamber of Commerce. This relates to section 7, dealing with employee stock options. Their comment is:

We suggest that a benefit under this section, at least to the extent that the benefit represents an increase in the value of shares held under option subsequent to the date of grant, should be taxable as a capital gain.

• (4:50 p.m.)

That point is made on page 21 of the submission by the Canadian Chamber of Commerce. I continue:

In the alternative, it is recommended that consideration be given to allowing a deduction for the employer equal to the amount of the benefit which is taxed to the employee.

That is a reasoned point and I suggest it should be given a reasoned answer in this chamber.

Those are the points that I wished to raise as we move in our consideration from section 4 to section 8. However, I come back to the point I began with concerning the mamma and papa small business operations of this country. I think there is an element of unfairness in the way this particular group would be treated under the legislation as it is at present. I know we do not intend to treat them unjustly and I hope we will be smart enough to see that this group suffers no injustice.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, although the matters dealt with in these five sections, sections 4, 5, 6, 7 and 8, are specific, which ought to make your task a little easier than it has been up to this point, nevertheless, since there are a great many of them you will not be surprised if in our remarks on them we seem to jump around. There are many different things we could talk about and still keep our remarks relevant to something that is found in these five sections. I propose at this time to raise just three things that are to be found in this group sections. One of them I welcome, another I want to ask a question about, and the third is a matter I think ought to be improved tremendously.

The proposal I welcome is found on pages 11 and 12. It is subsection 6 of proposed new section 6, which is now before us. I shall make my remarks about it brief because at some point my colleague, the hon. member for Comox-Alberni, will no doubt get into the debate and have something favourable to say about the battle that he has been waging for many years finally being won. The part I refer to on pages 11 and 12 makes it possible for workers who have to be away from home in logging camps, on construction sites, and so on, to receive allowances for living away from home or allowances for travel and for those amounts not to be included as taxable income. This is a welcome change in the income tax law, and I am happy to say so. I will leave further expressions of appreciation to the hon. member for Comox-Alberni. If there are short-