

Income Tax Act

I acknowledge there is undoubtedly some change vis-à-vis the position of a Canadian corporation compared to a foreign corporation. How the Canadian corporation is covered is another matter. As I understand the situation, this provision will be available to any corporation which is properly set up in Canada, whether that corporation is controlled domestically or by foreign interests of one sort or another.

It is highly ludicrous for the government to suggest that this is going to encourage Canadian ownership and will help to reverse the tide, especially in light of the present situation. Some of the most recently available figures show that today some 63 per cent of Canadian industry is controlled from outside Canada. Because all of these companies are properly incorporated within the law in Canada, those companies controlled by foreign interests are able to take advantage of this new provision. How this is going to secure a great degree of Canadian ownership in our economy is very difficult to see. It really indicates the ludicrous lengths to which the government is willing to go in order to try to justify some of the rather dubious proposals in the white paper.

Another area which is being treated under business and property income in some of the summaries is the matter of entertainment and related expenses. This has been dealt with already in the debate on some of these sections. I only refer to this matter because it is generally considered as coming within the scope of business and property income. Here again, we have an example of the type of discrimination that exists in terms of the way different Canadians are treated in determining their taxation. Entertainment expenses are allowed on a very wide basis. In fact, the government very markedly backed off from the restrictions that were proposed in the white paper in 1969. They have now restored the status quo in many respects, the only added restriction being that there is some limitation with respect to the location at which conventions and so on may be held if expenses are to qualify as deductible. I suppose some companies will not be able to hold conventions in Miami, the Bahamas and other such places in future. The government backed off when it came to allowing expenses for yachts, camps, lodges and golf course facilities. I do not think the minister could have left these things in the legislation within the area of deductible expenses and still presented a credible picture.

• (12:30 p.m.)

But what has been done with respect to employees? Strict ceilings and severe restrictions have been imposed with regard to what an employee may claim as a tax deductible expense. It is a clear case of treating one class of taxpayer in a different manner from another. Once this law is put into effect I believe the people will recognize just how phony are some of the claims the government is making for it.

I turn now for a moment to the question of depreciation on rental buildings. This comes within the area of business and property income. The so-called "red paper" of June 18 states in this regard:

The legislation provides that in future each rental building costing \$50,000 or more will be placed in a separate capital cost allowance class. As each building is sold the taxpayer will bring into income recaptured depreciation or deduct a terminal loss.

Under the present system all buildings of a particular construction are pooled and the day of reckoning can be indefinitely postponed by adding new buildings to the pool.

This is a welcome change. Under the present act, some landlords and owners of real estate were getting away with murder. We agree with this change.

Mr. Lambert (Edmonton West): The tenants will just pay higher rents.

Mr. Burton: The only drawback is that there will be a tendency on the part of some landlords to recover at least part of the loss of benefits by increasing the rents of those who are occupying these buildings. This is a question which deserves further consideration. We should look for means of ensuring that landlords will not be able to do this.

Mr. Lambert (Edmonton West): No federal authority there.

Mr. Burton: I now turn briefly to consider the proposal for changing the accounting system used by professional people. They will now be required to adopt an accrual accounting system rather than report income on a cash basis. This will do away with a good deal of the monkeying with the works that goes on at present, and to this extent we believe the provision is worth supporting. I note that transitional rules are set out for the taxpayers who are being required to switch over from the cash basis to an accrual basis. It is reasonable to do this, and we have no objection.

However, there is no such provision for transitional rules in the case of others who may wish to change over to an accrual accounting system. I have in mind farmers and fishermen who are given an option; they can remain on a cash basis or they can change to an accrual basis. Some hon. members may feel there is no need for transitional rules in these cases, since these people have an option. However, it should be borne in mind that in the light of other proposed changes, fishermen and farmers may in effect be forced to change from one system to the other. It seems to me that this requires further consideration.

As I read section 19 which is before us I note that it appears to deal with the provision by virtue of which some publications, such as *Time* and *Readers' Digest*, qualify to be treated differently from other taxpayers. Well, Mr. Chairman, we have made our stand on this matter clear on many occasions and we hope it will be given consideration by the government. Other provisions include the discretionary authority given to the Minister of Finance with respect to such matters as bank reserves—he is allowed to approve or, perhaps, to determine, what reserves shall be required. At the same time, with respect to other institutions such as credit unions, a different situation might arise.

In all, a number of important considerations are involved in this area of the bill. We hope the government will give consideration to making changes in response to some of the points which have been raised. I believe it is in the best interests of the government itself to make some of these changes if they hope to be in a position to present a credible picture to the public whenever this legislation may be passed into law.