

*Income Tax*

**Mr. Stevens:** If the minister checks my remarks he will find that that is exactly the turn around I referred to in my Monday statement, and I would ask that he correct the misinformation which he put in his speech, as it is now recorded at page 3066 of *Hansard*.

**Mr. Turner (Ottawa-Carleton):** No, Mr. Chairman, I will not because I was addressing myself to the argument which the hon. gentleman was introducing—cash deficit figures against budgetary figures—and commenting that they were apples and oranges.

**Mr. Stevens:** Perhaps the minister misses the point. In no way had I made the reference which he has alleged I made. He has agreed today that there was a deficit in his original May forecast, which changed to a surplus. In my remarks I referred specifically to that point, and yet today the minister will not stand up and admit his mistake and withdraw the comment which he made in his remarks on Monday. I will give him another opportunity.

**An hon. Member:** You're all heart.

**Mr. Stevens:** Mr. Chairman, I hope the record notes that the minister has made a misstatement on the record and that he refuses to change his words. I am sorry that the minister or his officials are not in a position to give us the figures with respect to indexing, but I will suggest that when those figures are tabled in this House they will show that he again was totally erroneous in his reference to my comments when he dealt with the question of the reduction to income tax payers as a result of indexing in this country.

If I may deal specifically with clause 1, I would like to ask the minister if he could give us a brief explanation, beyond the explanatory notes with respect to clause 1.

**Mr. Turner (Ottawa-Carleton):** The purpose of this relieving amendment in clause 1(1) is to add paragraph 6(1)(b)(ix) to the act and to help the taxpayer who, because of his job, has to live in an area where he cannot have his children educated in the official language of Canada which is his first language. This amendment provides that if a taxpayer must send his children away from home to enable them to receive their education in his first language, any reasonable amounts received by the taxpayer from his employer in respect of the children's education do not have to be included by that taxpayer in his income.

Subclause (2) of that same clause is again a relieving amendment to paragraph 6(4)(c) of the Income Tax Act. It cures a defect in the act caused by an anomaly in its wording whereby an employer who pays the premiums on that portion of his employee's group term life insurance exceeding \$25,000 is deemed to have conferred a taxable benefit on his employee whether or not the employee reimburses him. This amendment provides that no taxable benefit is conferred by the employer to the extent that his employee does reimburse him.

**Mr. Stevens:** If I may deal with the minister's comment on subclause (1)(B), it states that "the school that the child attends is the school closest to that place in which that language is the language primarily used for instruction." As I read that, I would contemplate that the section,

[Mr. Turner (Ottawa-Carleton).]

for example, in respect of a Canadian employee who is working in Brazil, means he would be entitled to the benefit of this clause, assuming that he is an English speaking person working in Brazil, only if he sent his child to the school closest to where he is working in Brazil. First, I would like to ask the minister to clarify whether I am correct in that assumption; and second, would he indicate why there would not be more encouragement given to allow that employee to have his child educated in Canada, notwithstanding the fact that it may not be the closest school, as worded in the subclause?

● (1530)

**Mr. Turner (Ottawa-Carleton):** The tax act does not pay for private schooling abroad nor for private schooling of those employees who may be abroad. That would be up to the company and the employee. To place some limit on this and protect the tax system, the word closest is used.

**Mr. Stevens:** Mr. Chairman, in case there is a misunderstanding of this wording am I correct in assuming that the clause would only allow the benefit contemplated if the child of the employee were educated, literally, in a school of the country the man is working in, or in the adjoining country? Is that technically correct?

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, this clause, of course, applies primarily to children educated in Canada. It might be that the employee of a Canadian company working in another country would not be subject to Canadian income tax, depending on what the treaty arrangement was. The hon. gentleman ought to look to the force of this section as applying to Canadian school children.

**Mr. Stevens:** Mr. Chairman, I am looking for clarification on the question of whether the force of the amendment will benefit an employee working in another country if his child, at his choice, is educated in Canada while there may be, technically, a closer school that does teach English that he could send the child to instead?

**Mr. Turner (Ottawa-Carleton):** The section says it must be the closest school, Mr. Chairman.

**Mr. Stevens:** I think that is an unfortunate aspect of this clause, Mr. Chairman. Surely if a Canadian is working abroad the government should be inclined to facilitate the education of his children at his choice, and preferably in Canada. I was wondering if the minister could give an explanation of why he thinks it so essential to force the child to attend some school that might be totally inadequate, simply because it happens to be closest to where the employee is working.

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, the place where the employee wants to educate his children might well depend on his arrangement with the employer. We are talking about a tax system here and having some general control over deductions for education. I suggest to the hon. gentleman that this is a reasonable way of looking at it. This is not subsidization of private schooling; this is subsidization of education at the closest school for the child.