

Income Tax

make a determination of those values which he in his own mind, and he is the best judge of it, determines to be the very lowest price at which they can be fixed. The illustration I gave about the \$10 value of a \$3,010 item is the one that will constantly confront the Department of National Revenue in enforcing the provisions of this Act.

We have been told that \$40 million is to be generated in revenues as a consequence of these provisions. Because of the way in which income, which would have been taxed had it been billed, will now be taxed before it is billed, when the work is done as work in progress as part of an inventory, that income will not be taxed again when the bills go out because the inventory will have been reduced. In other words, we are looking at a one-shot opportunity that will confront every professional in this country with an obligation to keep and maintain ludicrous forms that have absolutely nothing to do with the conduct of his business. The whole process is designed to accomplish one thing, that is, raise \$40 million. If the Department of National Revenue and the Minister of Finance would like to make an offer to the professions in Canada to make them a donation of \$40 million in order to avoid compliance with this ridiculous provision, they would get the money. There is no other reason why the Department of National Revenue and the Department of Finance want these provisions in this Bill other than to extract taxes before they should. I would like the Minister of State for Finance to comment very briefly on the remarks which I have made.

Mr. Cosgrove: Mr. Chairman, the Hon. Member did not really go to the basis and ask the germane question: Why the Section in the first place? Never mind the Subsections and explanations and distinctions between professions and the like, but why the Section in the first place? He asked that question in the context of a very difficult issue of equity. This amendment to the Income Tax Act is some 295 pages and contains over 100 clauses. It is difficult for the amendments to bring equity to the treatment of all people in all circumstances in a parallel if not identical way. It was out of consideration for equity that the Clause 3 was introduced. Prior to the introduction of the amendment, in computing income from a professional business, taxpayers were permitted to elect, under Section 34 of the Act, to exclude work in progress. The problem is that it only affected certain taxpayers and certain types of business. Under another Section of the Act they had already been given an advantage, preference or some assistance through the tax system in the operation of their business. Permitting them to take, so to speak, a second bite of the apple, that is what is unfair. It is inequitable. It is inequitable having people in somewhat the same circumstances in their business operations, some being given the advantage of our tax system, the preferred small business rate and, in addition to that, permitting them to deduct, before realizing income, the cost of work in progress. That is why, for example, we moved to identify those who fell into that category and to exclude them from the introduction of Clause 3, which was an attempt to achieve equity, that is, in a sense, to give some preferential treatment to small business in somewhat the same fashion.

• (1550)

The Hon. Member uses the example of architects, but I believe he answered his own question because he was able to make reference to Section 10 and he was able to refer to the definition of the value of work in progress as being the lesser of the fair market value, and in those circumstances it is quite conceivable that the cost of the preparation of those plans would be a write-off. Therefore, the architect would not be caught by the Section in any event.

Mr. Gamble: Mr. Chairman, what I have said was that people would manipulate the provisions in the Act. The great trouble with the Income Tax Act very clearly, if the Minister would just put his ear to the ground and open his eyes, is that it has become not only so complex, but so unreasonable in its rigours that people are taking justice into their own hands. There is an underground economy which has developed in this country, and if the Minister would like to consult the Deputy Minister of National Revenue, he will find that studies have been made by the Department of National Revenue of just how much revenue is lost. Revenue is lost because people cheat. People cheat because they are being robbed. It is this kind of madness which just induces people to take steps which are completely unwarranted and which will create a cycle in this country which will undermine the general tendency of Canadians to be honest and to assess themselves in the fashion which the Income Tax Act demands.

We are dealing with a monstrous Act, amended in a monstrous way, to extract more revenue from the taxpayers of Canada. I wonder how far the Minister proposes to push the taxpayers of Canada before that underground economy, which is created as a result of that manœuvre, will exceed the above-board recorded economy of Canadians? What we are talking about is a process which absolutely rejects reason. I dealt with the circumstances as they affect a small businessman who produces saleable stock in trade. There is no saleable stock in trade in the normal professions which are so identified, and we know the Minister has had no hesitation at all in going through a number of professions and exempting them. Why does the Minister not go through all the genuine professions, instead of the profession referred to by the Parliamentary Secretary to the Minister of Finance when he talked about wedding counsellors? Let him deal with the real professions. Let him deal with the determination of whether that work in progress consists of ideas on paper which are worthless to anyone but the person who put them there. Those are the real facts. But the trouble to which he is putting the taxpaying public, in particular the taxpaying public we are concerned with here, the professionals of Canada, is not warranted. It is a permanent, not temporary obligation imposed upon them for the purpose of giving to the Department of National Revenue a single one-time—I am sorry, not one-time because they programmed it over a couple of years—general tax burden. Is that in fact fair, equitable and is it reasonable, which is surely the question to which the Government must direct its attention?