

is therefore needed. Most taxpayers feel that this is up to the Department of National Revenue, and that the *Income Tax Act* contains provisions which if properly used are adequate to control that abuse. These provisions are, of course, those that apply to all business expenses, which to be deductible must be incurred for the purpose of gaining or producing income (section 12(1)(a) of the *Income Tax Act* and be reasonable in the circumstances (section 12(2)).

Some briefs have urged that rules or guidelines should be given indicating what entertainment expenses should be allowed, and what "reasonable" means in this context. Both would be extremely difficult to do, but it is obvious that some sort of "policing" must be done and that there must be rules governing it.

It is useful here to consider the rigid rules employed in the United States. Briefly, taxpayers are required to keep records of all entertainment expenses incurred, and must establish:

- (i) the amount of each separate expenditure;
- (ii) the date the entertainment took place;
- (iii) the name, address and location and the type of entertainment;
- (iv) the reason for the entertainment or the nature of the business benefit derived or expected to be derived, and the nature of the business discussion or activity that took place; and
- (v) the occupation of, or other information about, the person or persons entertained, including name, title or other designation sufficient to establish the business relationship with the taxpayer.*

Where entertainment expenses can be shown to have had a genuine business purpose, there is no justification in denying their deduction. To deny them is to say, in effect, that there are certain business expenses that may not be deducted in computing profit; the government, in its proposed treatment of "nothings", has shown itself anxious to see that there are no non-deductible business expenses, and there should be consistent treatment. So long as adequate measures are taken to guard against abuse, and the onus is placed on the taxpayer to prove the genuine business nature of his claims, deduction should be allowed.

1.(b) *Convention Expenses*

Comments

There can be no doubt that business and professional conventions serve a most useful purpose in bringing people together, stimulating interest, giving participants an opportunity to hear experts in their field and generally advancing the education and expertise of those attending. There is, un-

* These rules, along with detailed explanations, are set out in *Your Federal Income Tax, 1970 Edition*, issued by the U.S. Treasury.