

*The Budget—Mr. Olson*

the laws in other countries, particularly from those in the United States, and if our investors find themselves at a disadvantage in comparison with investors in the United States, the result will be to increase foreign ownership rather than to reduce it. I believe we must be very careful to make sure that our laws make it as easy or even easier for Canadian companies to take the risk to develop our natural resources than it is for foreign companies investing in Canada. If we were to do away with some of the taxation laws now applicable to resource development such as depletion allowances and so on, there would be a great possibility that foreign investors might be given an advantage over Canadian investors in developing Canada's natural resources.

I have already mentioned the complications involved in accounting on an accrual basis. I should now like to speak about the averaging of income which is one of the main recommendations of the Carter commission. I think this is essential in so far as agriculture is concerned because of the extreme changes from one year to the next in the amount of income tax which farmers must pay depending on market conditions and so on. In fact, this is one point on which I am in a large measure of agreement with the commission's recommendations. In my view many other taxpayers should also have the opportunity to average their income if they choose to do so. This opportunity should be available to commission salesmen and, so far as I am concerned, to every other taxpayer who is not on a fixed income or a predetermined salary who is in fact dependent upon business and market conditions so far as his income level in any one year is concerned. I feel that there are some injustices. Such a person is required to pay a substantially higher rate of income tax in a good year and then immediately after he may have a bad year. If he could average his income over the two years there would be more justice obtained. I hope the Minister of Finance will accept that recommendation.

• (4:50 p.m.)

Another area in which I find I am in some agreement with the royal commission report concerns making the regulations tough in so far as expense account deductions are concerned. I think there should be an upper limit on what can be charged as deductions for expenses for travelling, entertainment and so on. I know that these regulations have in fact been tightened up recently but more

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tightening needs to be done. Apparently the royal commission looked into this subject rather thoroughly and decided that more tightening up was necessary. I agree with that.

In so far as the integration of family income is concerned, I cannot see any practical way of implementing that recommendation. There may be a way of sharing household expenses, the cost of groceries or of maintaining the home, but how this recommendation could be applied with justice is beyond my comprehension, even though I have read in some detail the background material in this regard. I think the integration of family income for taxation purposes should be rejected.

Then there is the matter of capital gains. I pointed out that there would be very serious problems in connection with the transfer of farms within a family if Mr. Carter's recommendation were accepted. Small businesses would also have exactly the same kind of problem because they would be required to find cash for the taxation of assets the value of which was set arbitrarily by a tax assessor. I believe, that this kind of application of a capital gains tax and transferring to income should be rejected so far as small businesses are concerned as well as agriculture. However, having said that I think there is a case that can be made for some form of capital gains tax. I do not believe that it should be at the same level as the regular income tax, nor do I believe that it could be calculated in exactly the same way. I believe that we should look a little further into the application of a capital gains tax because in my view there is some justification for establishing such a tax as a source of revenue for the federal government.

Another matter that I think needs to be corrected has to do with expenses related to the earning of wages or salaries. We know that mechanics, for example, as well as other people, absolutely must have a set of tools if they are going to earn any income. However, the expense connected with the purchase of these tools cannot be deducted for income tax purposes. In my view this is unjust and I feel some changes should be made. There are also people on salaries or hourly rates who may have travelling expenses connected with their work which at the present time are not deductible. These expenses are essential to the earning of the income. I feel that some amendment should be made to the tax laws to take into account expenses which are essential to the earning of the income. I think