

Income Tax Act

Mr. Abbott: I think those would be allowed if claimed under the general rules which have applied.

Mr. Argue: The minister is saying that in his opinion a farmer could deduct the dues paid to a farmers organization. If I am given that assurance I shall drop the matter right now.

Mr. Abbott: That is my offhand view. The question has never occurred to me before. If dues were paid into an organization which has been set up for the purpose of promoting the interests of farming and that sort of thing, I would think the farmer could deduct his dues in the same way a businessman can deduct the dues he pays to a board of trade, to the manufacturers association or to anything else.

Mr. Fraser: Are not dues paid to the federation of agriculture allowed?

Mr. Abbott: I think they are.

Mr. Argue: The minister may be correct, and he might have been correct if he had said this a year or two ago. All I can say is that some prominent leaders in farm organizations, to say nothing about the farmers themselves, were not aware that such dues could be deducted.

Mr. Abbott: I would consider them completely analogous to board of trade dues or Canadian Manufacturers Association dues.

Mr. Knowles: Or lawyers on fees.

Mr. Abbott: Right.

Mr. Argue: I thank the minister for his comment. I am sure it will meet with the approval of farmers throughout Canada, and certainly my object in discussing this matter at this time has been accomplished.

Mr. Fraser: Subsection 10(a) on page 3 refers to "annual professional membership dues", and then at the bottom it says: ". . . that he was required by his contract of employment to maintain". Would that also apply if he was self-employed?

Mr. Abbott: He gets it automatically if he is self-employed because there he grosses up his income. The lawyer or engineer who operates on his own account on a professional basis puts in his gross fees, and charges up his office rent, expenses, his bar dues, and so on. This extends it to the salaried professional man.

Mr. Fraser: Under subsection 13 it refers to one-half the fees paid to an investment counsel.

Mr. Abbott: That is to confirm what has been the practice for a great many years.

[Mr. Argue.]

My hon. friend is aware that there are these investment counsel who assist those who are more fortunate than others in investing their capital and seeing that it suffers as little loss as possible. I believe a question was decided by the income tax appeal board that this was not a charge against income but was properly a capital charge. For a great many years the department had administratively allowed 50 per cent of these fees as an expense against income as being a fair proportion representing that portion of the charge which was incurred in earning the income, and the other as capital. It seemed to me and to the department that it was fair to maintain that practice, and it is for that purpose that this section is in the bill.

Mr. Fraser: I know members of parliament are receiving letters from these investment counsel every week. I know some people I have met who employ two or three such counsel because they want to average them up and see where they stand. Are they allowed half of the fees of each counsel?

Mr. Abbott: So far as I am aware, if a man pays a fee to this particular type of professional man, and if he is the super-cautious type who wants to have one to check the other, he can charge off 50 per cent. He has to pay 50 per cent of it himself. There is no deduction for 50 per cent.

Mr. Johnston: I should like to ask a question with respect to section 3 on page 2 concerning the repaying of borrowed money. It seems to me that the only deduction that would be allowed from income tax would be the interest on that borrowed money.

Mr. Abbott: This is a relieving section. There was a little lack in the law. In certain types of contracts there is an attributed interest content, and that is required to be included as income by the person who receives it.

Mr. Johnston: What it refers to is the attributed interest content.

Mr. Abbott: That is correct. Taking the reverse situation, if I as the lender under these circumstances am required to include it in my income, the man who is paying it to me can include it as an expense. That is the effect of the section. It is a relieving section. It seemed the sensible thing to do.

Mr. Macdonnell (Greenwood): Under this section I think I should raise a very earnest expression of grievance I have from the acting profession, actors, musicians and such. I will read a short extract to the minister, and then I should like to know what the effect