

*Income Tax Act***RESEARCH**PROPOSED COMMITTEE TO PROMOTE AND
ACCELERATE ACTIVITY

On the order:

Notices of motions: Mr. Murphy (Lambton West)
—The following proposed resolution:

That, in the opinion of this house, the government should consider the advisability of setting up a special committee representative of all parties, with power to call witnesses and send for documents and papers for the purpose of examining and reporting upon the advisability of providing inducements to promote and accelerate activities in the field of research.

Mr. J. W. Murphy (Lambton West): Mr. Speaker, since the motion was called last I have read what Your Honour said and what the Prime Minister said, and have considered what the leader of the house said to me personally and what he also said on Friday last when he announced the business of the house for today. As a member of the opposition I must accept that assurance in good faith, and accordingly I suggest that my resolution be withdrawn.

Mr. Speaker: Dropped.

INCOME TAX ACTSUGGESTED ALTERNATIVE PROVISIONS FOR
DEDUCTION OF MEDICAL EXPENSES

Mr. O. C. Trainor (Winnipeg South) moved:

That, in the opinion of this house, the government should give consideration to the advisability of amending the Income Tax Act so as to provide that the taxpayer shall at his option be entitled to deduct from his taxable income either (a) his medical expenses as now determined; (b) the premiums paid by him for insurance against sickness or accident or both; (c) the specific provincial tax paid by him under any provincial scheme of health insurance.

He said: Mr. Speaker, my principal intention in introducing the resolution is to call to the attention of the house certain taxation practices followed in this country which I think work an injustice to citizens of the country. The resolution would simply introduce the principle of allowing an option to the taxpayer, and in addition to the present exemption privilege that he enjoys he would be granted the privilege of including in his exemption any premium he might have paid for the purpose of insurance against illness. In the alternative, if he happens to reside in a province which supplies this service and charges a specific tax therefor, the tax would also be allowed as an exemption.

The principle is really very simple. It is simply that the individual will be allowed to include in the exemption from his taxable income a prepayment on medical expenses. At the present time he is allowed to claim medical expenses as an exemption but he is

[Mr. Speaker.]

not allowed to claim such expenses when they are paid in advance by way of premium. I submit it is only logical to allow an exemption for an advance payment when one allows an exemption for a payment after the fact.

It may be held that after all the question of an exemption is only of importance to the taxpayer with a large income but I submit it is of even more importance to the small taxpayer because from an examination of the statistics compiled by the dominion bureau of statistics one sees that the largest single group of taxpayers comprises those who get \$5,000 to \$6,000 a year. In 1950 they accounted for 7.6 per cent of the total income tax collected by Ottawa. I suggest that the exemption of insurance premiums or taxes, as the case may be, is an extremely important item to the income taxpayer who earns between \$5,000 and \$6,000 a year.

It may be maintained that the new hospital insurance proposals of the government will lessen to some degree the necessity for such changes in the Income Tax Act, but I suggest that the need will still exist and that anything other than a recognition of this need merely illustrates the extraordinary propensity of the government to strain at a gnat and swallow a camel. According to estimates I have heard, they are prepared to spend up to \$182 million on a very inadequate and limited plan of hospital insurance and yet they refuse to recognize a relatively minor change in the Income Tax Act that would not be responsible for depriving the treasury of any very considerable amount of money but would certainly assist the average taxpayer in the country materially.

I submit that if the principle of medical exemption is valid in any circumstance it is certainly valid in the sense that it can be applied where prepayment is made rather than actual payment. As a matter of fact there is something a little bit improper, shall I say, if an exemption is allowed for medical expenses which the individual does not actually pay but which are paid on his behalf by an insurance carrier. It may be argued, of course, that he has already paid in the sense that he has paid a premium but nevertheless the premium may bear no particular relation to the amount of deduction he is claiming. Therefore I suggest that a far more logical way would be to allow him the option of claiming an exemption when he has actually made payment of the premium. This would regularize the situation so that the exemption would be claimed only when an expenditure had been made.

Many members, particularly those of the C.C.F. party, may notice that the resolution may appear to be parallel in some degree