

Income Tax

as being fair, reasonable and equitable, whether it brings justice to the tax scene. With that in mind let me just draw to the attention of the Parliamentary Secretary, who has been dealing with this issue, the consequences of the application of the various Sections of the Act to which he has already made reference with respect to valuing work in progress. I think he will agree with me that if he analyses the circumstances of the present case in light of the proposed amendment, when we are dealing with the valuation of the work in progress of a professional of a kind that is not exempt from the provision of these amendments, the amount included in the inventory of that professional with respect to that work in progress is an amount representing the lower of costs or, in this case, the amount that can reasonably be expected to become receivable in respect thereof after the end of the year.

Would he not agree that that indeed will be the law if this section is passed?

Mr. Fisher: Yes, I agree with that, Mr. Chairman. The Member for Mississauga South and I had a long discussion about that. That certainly is my opinion.

Mr. Gamble: Mr. Chairman, I was here during that discussion and I was not left with the absolutely firm conviction that that was the interpretation that the Parliamentary Secretary has placed on Clause 3, amending as it does Subsection 10(4). If indeed that is the case, let me ask the Parliamentary Secretary whether the treatment of work in progress is the same for a manufacturing firm as it is for a profession. If it is not, does he not also share my concern that fair market value can, in many cases, be considerably lower than the amount that you expect to receive when the work is billed?

Mr. Fisher: Mr. Chairman, it is my understanding that inventory is inventory under this proposal, whether the inventory be a physical item or professional services. Therefore, the parallel that the Hon. Member has drawn is correct. I was not quite sure about what he was referring to, in setting the price tag for fair market value. I agree that prices will fluctuate up and down, but I am not sure what the consequences of that fact are, for his question. I would be grateful for clarification.

Mr. Gamble: Mr. Chairman, let me then pose the question in this fashion. Why has the Government found it necessary to treat work in progress of a profession in any fashion differently from the way it would treat work in progress for a small manufacturing undertaking? Why in fact do they not simply leave Subsection 10(1) to apply to the valuation of the work in progress of a professional? I can tell you, very simply, why they have decided that this would be inappropriate. It is because the work in progress of a professional, if it is to be valued at the lower of either cost or market will in fact be valued at nil.

What the Government has done, recognizing this obvious fact, is to decide it will create new rules for professionals. I cannot help but think that if you examine the new rules to determine what fair market value is, in the case of work in progress for professionals, it is an amount that can reasonably be expected to become receivable. There is no valuation

process, be it fair or otherwise. It is what in the minds of the intended biller of those accounts he can receive after the end of the year.

I would suspect that what we will become involved in is a very acute examination of the financial status of the recipient of that intended account, whether at the end of the year the company that is to pay that bill is insolvent or has financial difficulties and what considerations the professional might bear in mind in the event that he wished to establish something in the case of a lower amount for that bill than he would otherwise send.

I fully appreciate that it is the lower of two items, the lower of the cost to the taxpayer professional or the reasonable amount that he might bill for it. I recognize that fully, and in some cases the cost may be the lower of the two and would save him the trouble. But I just listened to the explanation given by the Parliamentary Secretary with respect to what cost was, and it too troubles me. He has said that cost would only include direct cost for that project.

Mr. Chairman, if it includes only the direct costs for that project, what we now have is one horrendous burden of identifying each project for the architect, for instance, to which reference has been made, so that we can see the costs that are applicable to that project.

This is an undertaking which in the past has not been absolutely essential, clearly not essential at all. The Parliamentary Secretary has indicated that, in determining what these costs are, the costs in terms of the work of the proprietor are not to be included. If that is the case, I wonder how those comments in fact tie in with the assurance, or the threat I might suggest, of the Minister of State for Finance who, a short time ago, told us that it was appropriate in this process to value ideas. If he is valuing ideas to determine costs, where in heaven's name will this lead us? I would like both the Parliamentary Secretary and the Minister of State for Finance genuinely to give us some guidance as to what the rules are.

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There is one other consideration that has to be borne in mind. Having listened to the Parliamentary Secretary and the Minister of State for Finance receiving some guidance from officials in the Department of Finance, I cannot help but think that this House is relying very substantially on officials for the kind of information we require. If indeed the cost is to be calculated exempting the work of the proprietor, let us have that kind of assurance included in the statute. If the overhead costs referred to by the Parliamentary Secretary are to be excluded in determining costs, then let those provisions be written into the statute.

It is small comfort to the taxpayers of this country who read the debates in the House and find that on a number of occasions these very issues later give rise to a costly appeal before the Tax Review Board or the Federal Court of Canada, especially when they look at the debates in *Hansard* and find that we have had assurance that what they are arguing about