

Income Tax

encouraged by your policy. The one thing you have accomplished with this legislation is making financing for industry more difficult. At this time in our failing economy we need financing for industry more than ever. We certainly do not need to make it more difficult. Without well financed industry our Canadian economy is nothing.

● (1140)

I think one of the most important aspects of this legislation is the fact that Canadians have invested in Canadian industry, with the understanding from the Liberal Government that they would receive a 25 per cent dividend credit on their stocks. With no discussion between the Government and anyone concerned, suddenly this dividend credit is reduced to 22 $\frac{2}{3}$ per cent. Can anyone in the Government say this is the incentive needed to bolster our sagging Canadian industry?

If an employee has the use of an employer-owned or leased automobile for non-business purposes, he is considered to be in receipt of a taxable benefit. The amount of the taxable benefit is based on standby charges. Prior to 1982 the standby charges were 1 per cent of the purchase price of the automobile per month if the car was employer-owned, and one-third of the lease cost if the car was leased. In June, 1982 the Government changed this to 2 per cent and two-thirds respectively. This standby fee is now an exorbitant charge. The Tax treatment of cars used in business is in the process of significant change. The implementation of minimum taxable standby benefits to employees will discourage the use by employees of company-owned or leased cars.

This excessive taxation of personal benefits from company cars will encourage employees who need to use a car on their jobs to supply their own vehicles and receive a corresponding adjustment in their remuneration. Then the employees will seek to deduct automobile ownership and operating expenses to put themselves in a better tax position. In many marginal cases the Department of National Revenue will challenge the right of an employee to deduct automobile expenses.

One of the conditions which now must be met in order for a commission salesperson to claim expenses is that the employee be "ordinarily" required to carry on the duties of his employment away from the employer's business premises. The expression "ordinarily" has for many years been interpreted by the Department of National Revenue to mean "most of the time", rather than "regularly". One such example of a marginal case is the subject of a recent decision of the Federal Court's trial division that, if not overturned on appeal, will represent an important victory for taxpayers. In this case, *The Queen v. Patterson*, the Department disallowed a relatively small claim for automobile expenses. The Queen's Court found the meaning of the word "ordinarily" as equivalent to "normally" as opposed to "rarely".

Because of this court case, more work will have to be done by a Committee of the Whole. The Department of National Revenue is basing all its cases on the word "ordinarily" and this has now been overruled by the Queen's Court. I believe under these circumstances that until a Committee of the

Whole has investigated this aspect of the current legislation, this portion of the Income Tax Act is non-applicable.

Mr. Gus Mitges (Grey-Simcoe): Mr. Speaker, I am very happy to join in this debate today. The Bill now before us, C-139, is probably one of the most important series of tax amendments and measures to be presented in the House of Commons for some time. We should not be rushed into passing this omnibus Bill without first dissecting and analyzing what it offers Canadians and what it does to overhaul our tax system.

As has been said many times before in this House, Canada is in the middle of its worst economic crisis since the great depression. Unemployment has shot up to an unbelievable 12.4 per cent; over 1.5 million people are out of work. This does not include the thousands who have given up looking for work or those who only work part-time because they cannot find full-time employment. Bankruptcies among small businesses and farmers have reached what can only be called astronomical proportions.

A brief outline of the figures shows the extent of the damage. Small business bankruptcies hit 8,055 in 1981, up 22 per cent over 1980 and 43 per cent over 1979. In the first 11 months of 1982, 9,962 businesses went bankrupt, an increase of 37 per cent over 1981 and an incredible 65 per cent over the same period in 1980.

Our farming industry has not fared any better. In the first 11 months of 1982, 384 farms were forced to close down, a 49 per cent increase over the same period in 1981 and an 87 per cent increase over 1980. Investment in Canada has almost completely dried up. Foreign investment, acknowledged to be essential for any sustained economic growth and recovery, has concluded that the tax laws and economic policies pursued by this Government make our country a hostile environment in which to invest and do business.

A brief look at Bill C-139, an Act to amend the Income Tax Act, shows just how complex and far reaching are the changes the Government wants to make. For example, it proposes to discourage savings for retirement through RRSPs. It does not allow for the deduction of interest costs on funds borrowed to invest in RRSPs. There is no tax incentive for Canadians to prepare for their future retirement or even to invest in Canada. For those who do not have an adequate pension plan at work, or for those who want to put a little away for a rainy day, this amendment is bad news indeed. By limiting indexation of personal income tax to the six and five program, this Government is giving itself a major stake in inflation, because as inflation stays high or goes up it receives greater revenue. This is nothing short of an underhanded tax increase. If the Government wants to increase taxes it should do so above board.

We are also opposed, Mr. Speaker, to any tax increases on employee benefits such as an automobile, retiring allowances and employee loans. To take this away is simply a tax grab. It hurts the performance of a company already facing bad times and its ability to attract the best possible talent. Any proposal to tax this area should be withdrawn.