

Income Tax Act

Clause agreed to.

On clause 17.

Mr. Turner (Ottawa-Carleton): This amendment expands the definition of an income averaging annuity in section 61 to include annuity contracts sold by trust companies. The amendment will allow trust companies to compete for this business.

Clause agreed to.

On clause 18.

Mr. Lambert (Edmonton West): I suggest to the House that it would have been worth while to have the comments of the oil industry, the tax specialists or the investment people on this particular clause because this is one of the most complicated parts of the act. The cross-references are innumerable, and I make no pretence of understanding them. We are now getting amendments which say, "such part of his income for the taxation year as may reasonably be regarded as attributable to the production of . . . gas".

In paragraph 66(1)(b), which is the main portion of this amendment, we are dealing with a principal business corporation, and beyond that we are getting into many cross-references. I would be interested to see at least some indication of where the thrust of the amendment is under clause 18. Are we in any way varying the principal occupation here? I do not think so. The information available to the minister and to us on this side is almost nil, yet we are being asked by the officials of the department, along with the drafters of the legislation, to accept highly complex language that is supposedly meant to do something. I am afraid that neither side of the chamber tonight is in a position to comprehend what is being accomplished by the committee accepting amendments.

Mr. Turner (Ottawa-Carleton): It might help the committee if I were to read the explanation of clause 18 and the subclauses. Clause 18(1) is a particular amendment to provide for the order of deduction of Canadian and foreign exploration and development—called "E and D"—expenses for principal business corporations. This amendment provides that foreign E and D expenses will be deducted up to the amount provided by subsection 66(4). Then, Canadian E and D expenses will be deducted under paragraph 66, subparagraph (1), subparagraph (b), to the extent of the corporation's income, after the deduction of E and D expenses. This amendment assures the taxpayer of the right to a deduction of foreign exploration expenses up to the amount of foreign resource income. Without the order of deduction provision it was not clear whether the foreign income would be first reduced by Canadian exploration and development costs, which would limit the deduction of foreign exploration expenses to something less than foreign resource income.

• (2130)

If I may turn to subclause (2) of clause 18, this is a relieving amendment which will allow for increased deduction of E and D expenses by individuals and non-principal business corporations by the deleting of certain restrictions from the act. Individuals and non-principal business corporations are presently entitled to deduct

[Mr. Turner (Ottawa-Carleton).]

their previous undeducted Canadian E and D expenses to the extent of the greater of 20 per cent of their previously undeducted E and D expenses and the aggregate of their income from oil and gas and mining in Canada, but such income would only qualify if certain restrictions are met. These restrictions are that the taxpayer has to operate and have an interest in the oil or gas well or mine. This amendment will delete these restrictions. May I now refer to subclause (3).

Mr. Lambert (Edmonton West): Mr. Chairman, may I intervene in order to make clear the particulars of the matter? Has the minister just referred to the elimination of the principal occupation rule with regard to Canadians investing in the exploration and development of petroleum and natural gas?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, it is not really the elimination of the 20 per cent figure. It has to do with the redefining of income that an individual qualifies for.

Mr. Lambert (Edmonton West): Mr. Chairman, the subclause talks about "such part of his income . . . as may reasonably be regarded," and so on. Is the minister depending on the word "reasonable" and, if so, what guidelines will the minister use in that regard?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, as I read this clause, the reasonable action will be left, in the first instance, for the minister to work out with the taxpayer; but the final determination, of course, will be for the courts. Ministerial discretion does not interfere with that determination.

The Chairman: Shall clause 18 carry?

Mr. Lambert (Edmonton West): No, Mr. Chairman. We were discussing subclause (2) of clause 18 and there are five or six pages to go yet. We have not passed clause 18; we have not considered all of it.

The Chairman: Order, please. There are three pages connected with clause 18, and not five or six. Is it agreed that the subclauses on page 16 are carried?

Mr. Turner (Ottawa-Carleton): As I understand it, we have finished subclauses (1) and (2).

Mr. Lambert (Edmonton West): That is right.

Mr. Turner (Ottawa-Carleton): With the consent of the committee, we will now deal with subclause (3). This is a relieving amendment which will allow for possible foreign E and D expenses by deleting certain descriptions from the act. Taxpayers are presently entitled to deduct their previously undeducted E and D expenses to the extent of the greater of 10 per cent of their previously undeducted foreign E and D expenses and of their income from oil, gas and mining outside Canada. But such income will only qualify if some restrictions are met. These restrictions are that the taxpayer has to operate or have an interest in the oil, gas well or mine. The amendment will delete these restrictions.

The Chairman: Shall subclause (3) of clause 18 carry?

Some hon. Members: Agreed.