

Income Tax Act

refer to sections 2 to 15, but more specifically to sections 2 to 13. A general deduction for employment expenses at 3 per cent of gross employment income up to \$150 is proposed. We heard a great deal of comment on this. I should not say a great deal of comment; we heard from many people but it was not highly controversial because we tried to arrive at something fair and reasonable. The comments which appear on page 16 of the committee's report are as follows:

It has long been recognized by taxpayers, and by the courts—both here and in Britain—that discrimination exists in the tax system against employees in the matter of deductible expenses. The self-same expenses are often deductible where a person is self-employed and not deductible where he is an employee; the height of absurdity is reached when one person acts in both capacities and receives different tax treatment for the same expenses.

Recognition by the government of this discrimination, through the white paper proposal to allow employees a certain measure of relief, has been generally welcomed.

I believe that has been inspired by members of the House on all sides, such as the hon. member for Vegreville, or the hon. member for Ville Vegre.

Its form, however is open to criticism. Some briefs have pointed out that the maximum of \$150 a year is too much for some employees and too little for others. Those who do not in fact incur many, or any, expenses would benefit unduly; those who incur more than \$150 would be unjustly penalized.

The ideal solution would be for all employees to submit detailed and authenticated claims, but the problems of administration and compliance that this would involve, and for very little result, seem to rule this out and to make some flat allowance, based on a percentage of gross earnings and with a ceiling—as proposed in the white paper—the only practicable way to deal with the majority of employees.

There seems to be no valid reason, however, why those who have higher expenses should not be permitted to itemize and claim them, if properly substantiated. Since it seems likely that relatively few employees would avail themselves of this, the administrative burden would probably not be unduly heavy—probably not nearly as heavy as that involved in handling the claims of the self-employed—and justice would be done. Most briefs have advocated that this choice be given.

• (5:50 p.m.)

It may be noted that in the United States employees may itemize and claim deductions of all "ordinary and necessary" expenses in the same way as the self-employed. Employees are still not quite as generously treated as the self-employed, however. The self-employed may deduct all "ordinary and necessary" expenses from gross income in arriving at "adjusted gross income", and take the standard deduction as well, while employees may deduct from gross income only expenses in four specified categories—reimbursed expenses, travel expenses away from home, transportation expenses and expenses of outside salesmen—and must then take either the standard deduction or their itemized expenses.

However, the United States law does recognize the basic principle that an employee has a right to deduct ordinary and necessary expenses incurred in carrying on his work.

We note that the revenue cost of the white paper proposals to allow the employees' general deduction, moving expenses and others amounts to 235 million. We therefore hesitate to suggest that employees' deduction should be broadened. We recommend, however, because the principle is one of equity, that this be considered as soon as revenue needs permit, and employees given the option to itemize, substantiate and claim deduction of all expenses "laid out or incurred for the purpose of gaining or producing income", in the same way as the self-employed now do under section 12 (1) (a) of the Income Tax Act.

That is the recommendation. The recommendations of the committee of the other place, as they appear at page 53 of their report, items 5 and 6, simply concur without comment with the recommendation and proposals which are on page 16. Those are the findings of the committee, after much study.

A great Talmudic scholar once said that to understand the Bible you have to understand the golden rule, and the rest is just commentary. My submission is that we understand the intent of the white paper proposals and that of the report of the committee. We can comment indefinitely because we really had to strike a balance between trying to achieve equity and maintaining the necessary revenue. The revenue consequences are serious indeed. In effect, we are suggesting that what appeared to be a highly acceptable proposal to those who appeared before the committee be implemented when the tax reform proposals are implemented in the House, and if and when revenue consequences permit that this principle be extended further.

We recognize the immense administrative burdens that this could cause. On the other hand there was a case for equity. I recall quite vividly, and probably so do my colleagues in the committee many of whom are here in the House today, trying to define what is a fair figure if we had to hit an average figure for purposes of balance in our report so that the majority of the people would be properly protected under this provision and it is different from general expense deduction, that is, 3 per cent of income up to \$150. I was satisfied that it was equitable and perhaps even overgenerous, using the term generous in the more technical sense, than in most cases where tools are purchased; and I have had experience with this.

It is not perfect by far, but in the majority of cases it is adequate and fair. I think that is the most we can hope to achieve. Perhaps we strive for perfection; but like all ideals, you strive for it and perhaps never achieve it. I think we had to strike a reasonable balance and that in this proposal we achieved it, not only because of the many submissions put before us but because of the submissions made by hon. members such as the hon. member for Vegreville and the hon. member for Comox-Alberni. I could go on further but there are in the House today colleagues of mine who served on that committee and I think it would be wise if they were given an opportunity to express their views on this worth-while motion.

[*Translation*]

Mr. Jacques L. Trudel (Bourassa): Mr. Speaker, I have carefully listened to the motion of the hon. member for Vegreville (Mr. Mazankowski) who is arguing that we should amend the Income Tax Law, with a view to meeting a genuine need, through the governor in council.

Some procedure, which has certainly been discussed by my colleagues, is under completion.

A moment ago, the hon. member for Comox-Alberni (Mr. Barnett) said that he has been presenting similar motions to the House since 1953. The member for Vegre-