

*Income Tax*

● (1540)

In a speech within the last two weeks, a senior partner of Touche Ross and Company of Toronto, Mr. J. Lyman MacInnis, who is also President of the Institute of Chartered Accountants of Ontario, said:

The Canadian Income Tax Act is an unmitigated mess!

Every chartered accountant, every tax lawyer, every tax consultant and every taxpayer of Canada would agree with that statement. He went on to say in his address:

—for decades it's been a well-established rule or jurisprudence that income tax laws be written in clear, unmistakable language. This is so because it is a self-assessing system. The most quoted statement by a court in this respect says:

"It is not enough to attain a degree of precision which a person reading in good faith can understand, but it is necessary to attain, if possible, a degree of precision which a person reading in bad faith cannot misunderstand. It is all the better if he cannot pretend to misunderstand it".

The present Income Tax Act, the amendments over the years and this Bill are incomprehensible. I would suggest that they are incomprehensible to everyone except those academics in the ivory tower who draft legislation. Those people, if forced to live in the real world, would not survive because they could not make a living; they would starve to death because they do not understand business, either small or large, and they do not understand people.

Several years ago in the House, during consideration in Committee of the Whole, the then Minister of Finance agreed to a minor amendment to the Income Tax Act. It was an amendment which every Member of the House and I suspected, when it came in, would constitute one paragraph. When the amendment finally came in, it consisted of two full pages of sections and subsections. I pointed out the absurdity of such an amendment, which could have been simple, to the very man who had the responsibility of drafting the particular amendment. He said to me, "You really do not understand the problems in drafting legislation, despite the fact that you are a lawyer". He went on to say, "We are now computerized. This legislation is designed for the computer, not for the taxpayer". Mr. Speaker, the computer does not pay the taxes; the taxpayer pays the taxes.

Thus we have confusion, confusion not only in the Department, but confusion in the minds of taxpayers. They are left in a real quandry. What can the taxpayer do when he runs into a problem, if he cannot afford or does not necessarily want to hire a chartered accountant to help him with his return, a fairly simple T-1 return? He can call a toll-free number. Every district taxation office has a toll-free number. What happens if a taxpayer phones and poses the following question: "I have a problem with my income tax return; what is the answer?" First of all he discovers that the response of the Department is not binding on the Department. If he follows the advice he receives, he has no certainty that when he files his return it will be accepted. Also I suspect that all district taxation offices are the same. If one phoned and asked the same question on more than one occasion, quite frequently one would receive different answers as a result of the phone calls, different answers to the same question. Not only that, in the last two or three years, with the confusion which has existed because of budgets and

no income tax amendments before us, taxpayers have come into my office and told me that they have phoned the toll-free number and the voice at the other end said, "We do not know what the answer is; go and see your Member of Parliament." Then the individuals came to me thinking that I had all the answers to their problems, yet these people in the Department who are answering the telephones are supposedly the experts.

Another route which the taxpayer can take is the interpretation or information bulletin route. He can go through the whole list and find a particular interpretation bulletin that fits his case, that is, if he can find the list of the interpretation bulletins. Having picked up the interpretation bulletin, he has to sit down and try to figure out what it indicates. That can be a very interesting exercise. I say this because one discovers that what is contained in the bulletin is sometimes different from what is contained in the tax guide accompanying the tax return itself.

I recall a recent case where one of my constituents filed a return claiming a deduction for registered retirement savings plan contributions he made. He made the deduction based upon his earned income. It was quite clear in the guide and in his return. After several months he received an assessment notice from the income tax Department advising him that he was not entitled to the deduction. But it did not say why. Nowadays these assessments come out and one cannot tell what they say or what they mean. It used to be that 15 or 20 years ago, when the income tax Department re-assessed a person he could look at the document and know where he had gone wrong or know where the Department had gone wrong in re-assessing him. This does not happen nowadays because the computer does it, that all-wise machine.

Finally, after several months my constituent discovered that while he had a substantial amount of earned income, he had claimed a loss on rental income which was deducted from his earned income and he was not entitled to the deduction. I could go on at length citing examples, but I see my time is up. Simply, I would like to say that I think the time has come when it is very important—as a matter of fact it is vital—that the Government take the necessary steps to set up a committee, not comprised of people from the ivory tower, but of people who have day-to-day knowledge of the Income Tax Act and of individuals who have to prepare their own income tax returns, so that there will be a comprehensible Act which people can understand without having to spend money and hours of argument with the Department over their taxes.

**Mr. Cyril Keeper (Winnipeg-St. James):** Mr. Speaker, I welcome the opportunity to participate in the debate on Bill C-139 which I have here in my hands, an Act to amend the statute law relating to income tax. This is a rather large and heavy piece of legislation. It is very complex. In fact, it is so complex that it was necessary for the Government to put out a smaller version of the Act which was called "Explanatory Notes to Bill Amending the Income Tax Act." The Explanatory Notes are also quite lengthy. I mention this to point out that