

Income Tax

individual's time, which is profit, in effect, on the arrangement, in the same way as the Hon. Member for Edmonton West, a little earlier, described a businessman's time as being his profit from his efforts.

Mr. Hawkes: Then, if I am in business for myself and have completed five hours of work, but the Government is forcing me to do the work in progress and put it into inventory, is the Parliamentary Secretary telling me that all I must declare is costs of heat, light, rent, water and transportation, and that I do not have to put my time into that inventory? Is this the tax department's interpretation?

Mr. Fisher: Again, I remind the Hon. Member that it is only the direct costs of the job. Our officials have indicated that if one is a sole proprietor and one has overhead costs, then those costs are not included here. They can be used in other ways in one's business operations. It concerns the direct costs of the project itself, the direct wages of business employees, the costs involved in the development of the project.

The Hon. Member indicates that he is concerned, for instance, about the costs of the proprietor, the professional or whoever. I remind him again that it is the profit in the situation, not part of the work in progress.

Mr. Hawkes: We know of a professional person who has been the subject of much discussion in the House. His name is Alastair Gillespie. On October 29 he signed a consortium agreement with several firms. It provided a retainer of \$30,000 a year, \$600 per diem, plus expenses. There were also provisions in that agreement for buy-outs. If he wanted to be bought out he would receive \$250,000, and if his partners wanted him out he would receive \$750,000.

If he is acting as a professional person, providing services to that consortium, explain to me the income situation relative to work in progress. What does he take into inventory? What does he pay tax on, and at what point?

Mr. Cosgrove: Mr. Chairman, I do not have enough information on the situation posed by the Hon. Member as a specific case, but rather, I suppose, as a hypothetical case. For example, I do not know whether Mr. Gillespie, in that situation, is the shareholder, the stockholder or a partner. We just do not have those kinds of facts. Mind you, I suppose we have had much time in which to look at the situation, inasmuch as the project and its details were announced in concert with the announcement made by the Premier of Nova Scotia some two years ago. I suppose that if we had been concerned about it, those details could have been made available to us today. However, I think it would be inappropriate for the Minister to respond to a question which becomes less of a hypothetical question and more of a specific example. If one substitutes the name of Mr. Gillespie for any other Canadian's name, then what the Hon. Member, in effect, is inviting officials and the Minister to do is to give free legal and tax advice on a specific case this afternoon, and we obviously cannot do that.

The Assistant Deputy Chairman: Order, the Hon. Member's time has expired.

Mr. Anguish: Mr. Chairman, I would just like to make one point of clarification. When the Minister was responding to the effects of Clause 3, he stated that this in no way applied to farmers and that the Government had no intention of applying it to farmers in the future. Now I am assuming that there are some cases, and if my assumption is wrong I hope that the Minister will be advised and will in turn let me know, where farmers and farming operations could be considered eligible for the small business tax. If they are eligible for the small business tax in some circumstances then, from what the Parliamentary Secretary has told me, they could quite well be included in the work in progress provision. The key here is whether or not farmers or farming operations are eligible for the small business tax. Could he provide me with that information?

● (1640)

Mr. Fisher: Mr. Chairman, the Hon. Member was asking us earlier how we drew the distinction between one set of professionals and the other, and I appreciated his question because it allowed us to say very clearly that the small business tax was in fact the device that we use to draw that line, and that these people who were exempted were people who had previously been named in the Act.

Now he has carried that question one step further. As I understand it, farmers are a completely separate category from professionals in the Act. They are cash-basis taxpayers who are entitled to a small business rate, but they are treated separately in the Act from professionals. They are not included in the same category, I am told.

Mr. Anguish: So the minister can give us his assurance then that when this Clause and the provisions of C-139 have been passed, if we assume that they are going to pass at some point in time, Revenue Canada will not bring in regulations to include farmers under the provisions of the work in progress, and they cannot do that under the present regulation, either.

Mr. Cosgrove: Mr. Chairman, I can confirm my earlier answer to the hon. gentleman. The answer is, yes, Revenue Canada would not do that. It is not the intention of the Government; it is not in the legislation; the Income Tax Act has dealt with farmers in a separate category, as the Parliamentary Secretary to the Minister has indicated. Yes, we are hopeful that the Bill will pass and, of course, the sooner the better because there are some 11 million taxpayers, families, who would benefit by refunds upon passage of this Act.

Mr. Gamble: Mr. Chairman, I am rather disturbed to hear the Minister suggest that the sooner we pass this piece of legislation the better, justifying that urging upon the House by the fact that there are some people who may be entitled to refunds. I would hope that the guide that might be used in this place is whether the legislation we are contemplating is good or bad for the country, whether it indeed lives up to its billing