

Income Tax Act

in a period of inflationary pressures on all of us, to Canadians in the middle or lower income scale who probably feel the impact of inflation more than most Canadians, and who are the least able to defend themselves.

We see measures coming forward from time to time, such as increased family allowances and pensions in the last parliament, income tax indexing—and in the budget of a couple of weeks ago, personal tax cuts, measures to protect personal savings, special consideration for senior citizens, housing incentives and other measures that are all in the spirit of assisting individual Canadians to manage their own budgets to the best advantage possible as they go about their own personal struggle against the problems of inflation. Most of those measures I have mentioned, and I suspect the one that the hon. member for Regina East (Mr. Balfour) is proposing this afternoon, have their greatest beneficial impact upon the middle and lower income earner. We have all welcomed proposals of this kind from time to time and I think that is the spirit in which the hon. member makes this proposal.

● (1730)

I do not think any of us should underestimate the real contribution of that vast group of middle income earners in this country. Among them are a good many mechanics who, I suspect, pour a good many dollars into the economy every year. They are a crucial part of the economic life-blood of the nation and so often their interests and concerns might be taken for granted. They do not seem to make too many waves and, as we know, it is often the old squeaky wheel that gets the most attention from all levels of the government.

The motion before us offers some recognition of the problems of the middle group. It specifically requests that mechanics be allowed a special deduction for the cost of tools, and so forth, that are necessary for their employment. I am sure the hon. member is aware of some of the difficulties inherent in the situation and he referred to them when introducing the motion. These difficulties should not be put aside too lightly. I am not persuaded they are reason enough for not proceeding with some consideration of the proposal, but we should be aware of them so that we can be better prepared to deal with them and accomplish what he is suggesting.

Traditionally there has been a distinction between income from business and income from employment. Expenses were deducted from the former but not the latter. Perhaps we have now moved past the point where such a distinction is reasonable or logical, and that is what my friend on this side of the House was pointing out. We are in the position now to go beyond such distinctions. Indeed, we might be making a move new to the industrialized world. I understand from the remarks of the hon. member for Regina East that the American tax law may have provisions similar to his proposal, but in most industrialized western states the law compares with our own. Of course, that is not any reason for not moving into a new field.

In theory an employer is supposed to provide the necessary tools of the trade for his employees, and his expenses are therefore deductible. If an employer does not pay those expenses, they are thought to be unnecessary. That sounds

[Mr. Goodale.]

to me like a legal fiction and in some cases no doubt it is. For the majority of Canadians, however, it would seem that the fiction equals the fact. In most cases, an employee need only present himself at his place of work, and his tools and supplies are waiting—whatever they may be, from a paper clip to a shovel, a truck, a million dollar computer. The problem arises when, for one reason or another, the traditional and historical practices of the trade are that the employee must pay for his tools and equipment himself. That is where the legal fiction begins to miss the mark. No one can deny that in several instances employees—perhaps mechanics amongst them—expend a considerable amount of money each year in supplying themselves with equipment. Given such situations, should we allow the legal fiction to prevail for mechanics or make an exception?

Some time ago the government offered a basic measure of relief. A taxpayer who is employed may each year deduct 3 per cent of wages, to a maximum of \$150, for work expenses. There is also a technical provision for an employee to deduct the cost of certain materials consumed in the course of his duties. Other than these provisions, up to now there has not been any special deduction for the extraordinary expenses of some employees. The reasons for this are pragmatic and practical and are essentially because of the difficulty in administration.

First of all, I suppose there is the problem of defining exactly the employee's occupation. The hon. member for Regina-Lake Centre (Mr. Benjamin) mentioned that the word "mechanic" was not capitalized in the motion and could, therefore, be presumed to include a host of other occupations that would not in the ordinary sense be regarded as mechanics. I am not sure that is correct. If an exemption or deduction were provided for mechanics, the word should be defined very carefully. I do not suppose a tax lawyer would have any difficulty in concluding that an automobile mechanic would qualify, but there might be some question about an instrument maker or a millwright. Perhaps we might want to expand that definition beyond the technical and narrow word "mechanic". There might be a host of borderline cases that could bring themselves within the definition. Essentially it is a problem for the courts eventually. But I have some reservations about the use of the word "mechanic" per se and would like to see the amendment cast more broadly.

Mr. Benjamin: Mechanics' lien applies to all of those.

Mr. Goodale: Perhaps it does, but I am not sure that this would. I should like to see a proper definition so that all employees who are required to bring their own tools to the trade would be included.

The problems that have traditionally afflicted this kind of proposal are administrative and not insurmountable. I have hinted at one or two of my minor concerns about this proposal, Mr. Speaker, but in summary there are three questions that come to mind. First, should we make a special deduction for mechanics per se? Second, should we broaden the definition to include employees who maybe, depending on the interpretation of the word from time to time, excluded from the definition? Should the definition be as broad as we can make it? Finally, instead of working around a definition should we try to approach it by