

*Income Tax*

particular case are not manufacturers of widgets. He thinks they are, or at least he would like to equate them with the manufacturers of widgets. But if we had reached—and this is a plea right from the bottom of my heart on behalf of taxpayers as a whole—the limits of the cost of compliance, this is something of which National Revenue officials and Finance officials have no conception. They have been told about it but they ignore it. Therefore, I will repeat it and repeat it.

I have a number of friends in business in Edmonton who at one time were officials of National Revenue. If you talk to officials at National Revenue off the record, they say it is a shame about the wasted economic effort in this country in having to comply with this Income Tax Act which is, remember, Mr. Chairman, self-assessment. We get verbal garbage. That is all it is. Neither tax officials nor the best tax lawyers and accountants in the country can understand it.

● (1250)

Just the other day my colleague, the Hon. Member for Hamilton-Wentworth, pointed out that some Clauses, like Clause 39, run to pages and pages with hundreds of commas. One sentence even has 774 words. How can anyone understand that? The ordinary citizen or small businessman cannot take the Act to a chartered accountant and pay \$500 or \$1,000 to have his tax done. If he goes to a tax lawyer he will have to add a few zeros to that.

I am not talking about the man who runs three trucks. I am talking about the man who employs 20 or 25 people and has to maintain records for the deduction of income tax, Unemployment Insurance—with immediate remittal—for Canada Pension Plan and so on. The Government makes the small-businessman its bookkeeper. If the small-businessman is not incorporated, even though he has 20 or 25 employees, he is self-employed and will have to prepay his tax quarterly or face interest penalties.

Tax program officials admitted in evidence that writing up dividends, with the tax at 12.5 per cent, brings the small-businessman's rate of taxation to about the same as that of his employee. In other words, the man who runs a small business with 75 or 100 employees, with the attendant worry and pressure and the initiative that he displays, and all of the complications of being an owner and operator, is merely entitled to a salary taxed at the same rate as that of his employees. If he works 16 hours a day and his employees work eight hours a day, it makes no difference; his entitlement is the same.

When the committee sat during the summer, Mr. Chairman, the Hon. Member for Kamloops-Shuswap was the only one who had to travel some distance to attend. I live in Ottawa and I was there, as was my colleague from Mississauga South. The Chairman was the Hon. Member for Ottawa Centre and the other two Members of the Liberal Party were from the London area. No one else turned up for the hearings, not even one

Member from the Province of Quebec. I guess for those who did attend it was just convenient and, as I say, I live here.

We all want to see justice done in regard to income tax and I make the strongest plea that I can for that. The cost of complying with the Act is high, Mr. Chairman. I wonder how much it costs the farmer who runs a couple of hundred acres with beef or dairy cattle in a profitable operation to comply with the Income Tax Act. He has the same responsibilities provincially, of course.

I have opposed work in progress as a concept ever since it was introduced. We agreed to it in 1970 in exchange for something else but now it is not a bargainable point. I think the Government is wrong—pigheadedly wrong. My colleagues are unalterably opposed to this provision and I advise the House to vote against it.

**Mr. Hawkes:** Mr. Chairman, I have some questions. The Parliamentary Secretary indicated that he is a small-businessman and is interested in fairness. There is a contradiction in that; he never talks about fairness but about sameness. Am I correct in assuming that he wants to make the situation the same for these professional groups as for those engaged in small business? Is he talking about sameness rather than fairness?

**Mr. Fisher:** Mr. Chairman, that is a good question. I should point out to the Hon. Member that many people now claiming professional status were previously small-business people. They enjoy the new status as a result of expanded and more liberal court rulings. Our officials tell us that millions and millions of dollars in the computer software industry are involved where people have been able to defer income by using the work in progress provision. They were previously treated as small business; now they have accounting systems set up and they take advantage of the small business tax rate.

We are not trying to turn everyone into the lowest common denominator. We have a group of people who have an opportunity to take advantage of the work in progress provisions. According to the Minister's comments it has become a \$40 million industry. A \$40 million allowance is quite a big chunk and we should take that into consideration.

**The Deputy Chairman:** It being one o'clock, it is my duty to rise, report progress and request leave to consider the Bill again later this day. Is that agreed?

**Some Hon. Members:** Agreed.

Progress reported.

**The Acting Speaker (Mr. Blaker):** It being one o'clock, I do now leave the chair until two o'clock this afternoon.

At 1 p.m. the House took recess.

**AFTER RECESS**

The House resumed at 2 p.m.