

*Income Tax Act*

recently, the late Hon. George Nowlan who was Minister of Finance at the end of the period of Conservative rule. My pleadings fell on ears as deaf as the ears of Ministers of Finance including Hon. Walter Harris and Hon. Walter Gordon. However, one can always hope, and we welcome the fact that today various sections of the community are in favour of such an amendment to the Income Tax Act. It is being accepted by hon. members no matter where they sit in the House. I recall being greatly encouraged on one occasion when a group of members who now sit in the House under the title Ralliement Cr ditiste spoke during a debate I had initiated. Several members of that party rallied in support of this idea.

The hon. member's motion does not encompass the whole area of what I consider to be a basic discrimination under section 5 of the Income Tax Act. It leaves out the question of travel costs over long distances necessitated in respect of people who must travel to work from their residences. It does not cover the extra costs incurred by many married men who have to maintain a regular domicile as well as pay the cost of room and board out of their pockets while away from home.

This matter deals with deductibility of expenses incurred in purchasing tradesmen's tools and it is an important element in the discriminatory situation existing between self-employed and those who receive wages or salaries. One point I should like to make—and I hope no one sitting on the government side of the House will have illusions in this regard—is that the proposal which was in the White Paper, suggesting that there be a flat \$100 deduction for expenses of working people on wages or salaries, is not by any stretch of the imagination an answer to this problem. When the Minister of Finance brings in his proposals for changes to the Income Tax Act, I hope he will not be bringing in that proposal from the White Paper, arguing that it is the answer.

• (5:40 p.m.)

I have submitted before in discussions in this House on the White Paper proposals that that particular proposal, far from removing the inequity referred to in this resolution simply creates a new one. In other words, it creates an inequity between those employed for wages and those self-employed, and leaves out of consideration the whole question of whether a particular workman or group of workmen who incur expenses in the course of earning their living incur expenses which go beyond those which everyone incurs in the ordinary course of living, that is, expenses for food, shelter, clothing, and so on. This aspect of our lives presumably is the aspect that is dealt with under the basic income tax exemption, however inadequate it may be. The principle is that there are basic expenditures which everyone has if he is to survive and this portion of the cost of living should not be subject to income tax.

Here, however, we are dealing with an entirely different area. I am sure, because of his motion, that the hon. member for Vegreville agrees with me that the source of the income should not be the factor which determines whether or not an expense is incurred in the course of earning a living. This is where the Income Tax Act, in

[Mr. Barnett.]

particular section 5, makes an outright discrimination against all people who are not self-employed, because it sets out very specifically that certain deductions, and these only, may be made from taxable income and makes it impossible for anyone in a trade or profession who is employed for a salary or wage to deduct as an expense incurred in making his living expenses which are perfectly acceptable for persons who are self-employed.

One might take the situation in respect of doctors and, in certain instances, in respect of teachers. One could go over the whole ambit of occupational interests of the Canadian people and find cases where this type of discrimination exists because the deductibility of expenses is determined on the principle of the source of the income, rather than on whether the expense is necessarily incurred in the course of earning that income.

I hope the fact that this motion has come forward for discussion this afternoon will not go unnoted by the Minister of Finance in particular and by other members of the House, so that with this debate as a background we can assess in respect of this aspect of the matter at least the amendments to the Income Tax Act which the Minister of Finance has said he intends to bring forward.

**Mr. Deputy Speaker:** The hon. member for York North (Mr. Danson).

**Mr. Barnett J. Danson (Parliamentary Secretary to Prime Minister):** Mr. Speaker, first I wish to thank you for referring to my constituency as York North. My hon. friend from Vegreville (Mr. Mazankowski) referred to it as North York. North York is a municipality and York North is one of the finest constituencies in this land. It is like referring to the hon. member for Vegreville as the hon. member for Ville Vegre. I suppose members on the other side of the House do get things backward at times.

I am delighted that the hon. member has again brought forward this motion. We discussed it briefly during the hearings in respect of the white paper on tax reform. Some of us who were involved in those hearings were delighted to have the opportunity to discuss this matter in order to amplify our thoughts. This is one area the committee did not find particularly controversial. I should not deal with the legalities of the motion because these were dealt with ably by my colleague from Outremont (Mr. No l).

There are probably all sorts of interesting stories one could relate in respect of the Financial Administration Act, and I would be glad to discuss some of them over a Coke later with the hon. member. We are talking about a matter that was discussed in considerable detail. We tried to arrive at the fairest solution, as the hon. member for Comox-Alberni (Mr. Barnett) stated and has been stating since 1963. He is probably a man well ahead of his time. As I said, this matter was discussed at the hearings of the Committee on Finance, Trade and Economic Affairs. It is a fact that some people must have books and typewriters, and Members of Parliament have numerous expenses none of which are deductible.

Mr. Speaker, I should like to refer to the report of the Committee on Finance, Trade and Economic Affairs relating to the white paper proposals on tax reform. I