

The Budget—Mr. Rompkey

Mr. Rompkey: The replacement of the general averaging and reserve provisions by this new forward-averaging measure will mean that the tax system will contain one averaging mechanism generally available to everyone.

Mr. Blenkarn: It already does.

Mr. Rompkey: The Income Tax Act will also be amended to provide for the full taxation of certain employee benefits previously exempt from tax and to provide new rules for determining the appropriate taxable value of other benefits. The budget proposals in this area also reflect the government's attempt to apply the tax laws to all individuals on a more equitable basis.

● (2040)

The finance minister has indicated that my department should regard as income certain fringe benefits, including transportation passes and subsidized or free board and lodging. As these benefits are not available to all employees, the department will in future require that such benefits be reported on the basis of their fair market value and included as part of the employee's income for tax purposes.

Similarly, the rules concerning low interest loans to employees and shareholders will be tightened up to eliminate the exclusions that were formerly accepted. Those exclusions meant that employees and shareholders could receive, tax free, low interest loans of up to \$50,000 on the purchase of homes.

Mr. Blenkarn: What was wrong with that?

Mr. Deputy Speaker: Order, please. The hon. minister has the floor.

Mr. Rompkey: I am glad that you rebuked the spokesman for the great corporate interests of this country, Mr. Speaker. As I was saying, such tightening of the tax rules creates a system more equitable in terms of taxpayers who are not privy to such arrangements.

The budget also proposed to tighten the rules of the use by an employee of the company's car. The taxation of the benefit that the personal use of the company car provides to the employee is determined as a minimum standby charge. That standby charge is to be increased one-and-a-half times in an effort to bring the value of the benefit more into line with the actual benefit of the car to the employee. However, in cases where the employee feels the value of the benefit exceeds his actual personal use of the car, he will be able to present documentation to the department to justify the lower benefit.

Another fringe benefit that will be taxable is the employer contribution to supplementary health or dental plans. Employer contributions to medical and hospital insurance plans administered by the provinces are currently taxable as income from employment and will now be extended to include contributions to other types of health or dental insurance plans.

The budget has also proposed that termination payments received by employees as of November 12, 1981, be fully taxable. There will no longer be a limit of six months' salary on the amount of the termination payment that is taxable.

On the question of ending one's employment, there is another important change proposed; this one to affect retiring allowances. As of November 12, the maximum amount of such retiring allowances that will qualify for a rollover to a registered retirement savings or registered pension plan will be \$3,500 times the number of years of employment, excluding those years that the employee was a member of the employer's registered pension plan.

Business firms will not be permitted to deduct their contributions to a deferred profit-sharing plan that provides benefits to the principal shareholders of the firm.

Mr. Blenkarn: The profit should not be shared?

Mr. Rompkey: Nor will such plans be accepted for registration in future.

Mr. Blenkarn: Don't share the profits.

Mr. Rompkey: I would ask the hon. member with a size eight brain and a size ten mouth to please be quiet.

Mr. Blenkarn: Read on.

Mr. Rompkey: Personal service corporations, established by senior executives and high-income individuals to convert their employment income into business income eligible for small business tax incentives will, in future, be subject to the full corporate income tax rates. In addition, expenses which are not ordinarily deductible by employees will also not be deductible when incurred through such personal service corporations.

Finally, in the area of northern benefits I am pleased to say the remission order has been extended until the end of 1982. This will allow the government time to review the need for and the means of providing alternative forms of assistance to employees working in the north and in isolated posts. However, the tax relief under the remission order will be confined to benefits granted under employer-employee agreements reached before November 13, 1981.

The north is a special area of Canada, resource rich but often isolated and sometimes seen as inhospitable. And yet the future of this country will depend in no small measure on how we develop our northern resources. Those who live to the south must recognize that people in the far north have greater costs and fewer services. Often they feel cut off from the rest of Canada which they refer to as the outside. The extension of the remission order and the plan to replace it with a new policy is a signal to people in the north that they are full partners in confederation and that their special circumstances will be addressed with fairness and equity.