

Income Tax

On a number of occasions I have dealt with one of the great problems of the Income Tax Act and that is, its inscrutability. This piece of legislation has become so complex over the years that the average citizen cannot hope, under any circumstances, to understand and to cope with its provisions. It has become so difficult that it is a labyrinth through which few people can find their way. For those unfortunates who happen to be caught in its pernicious clutches, it is a quagmire which, in many cases, has strangled many Canadian taxpayers.

The circumstances that confront us today are that rather than deal in any fashion with a simplification process, the Government has chosen to pile amendment upon amendment—to add, not subtract, from the great bulk of the wretched statute itself. We are confronted, I submit, with a bureaucratic plan to choke off the freedoms and rights to retain property and income that should be well recognized as pertaining to all Canadian citizens. What has happened is that over the years we have seen a gradual erosion in the base left in the hands of the taxpayer, which he can claim to be his own.

Some time ago when the first income tax was introduced in 1917, to become effective in 1918 as a temporary wartime measure, the concept of taxing income was very simple. It involved a process whereby an individual or business collected a certain sum of money, and a portion of that money was allocated to taxes. In the early years, that portion was relatively small. It became apparent to those intent upon collecting more revenue, that it would expedite the receipt of the funds required by Government for its plans, some of them foolhardy and some of them necessary, if they might extract the tax before the money was actually in the hands of the taxpayer. The concept of payment on an accrual basis developed, so that corporations and individuals who fell into certain categories were taxed on the basis of having established an arrangement which entitled them to receipt of income, even though they had not in fact, received that income. The results of the process were simple. The Government collected its money and maybe—just maybe—the taxpayer collected the income on which the tax had already been paid.

In this Bill we find a further and most interesting refinement. We are not now concerned only with collecting tax before the income has been received, a circumstance from which the business community and the individuals have suffered for some time. We are now caught in the predicament where the taxpayer in certain professions, is to be taxed on the basis of the work he has done with respect to which no account has been rendered. The concept is that if there is work in progress undertaken by a professional taxpayer, of the kind categorized by the Act, that taxpayer must pay a portion, not of the bill he has rendered, not of the income he has received, but of the work he has done. The whole purpose of this scheme is to put money in the hands of the Government before the citizen has had a chance to put in his pocket the income upon which the tax is based.

I suspect that the next move to expedite the early return to the revenue of a fund generated as a consequence of the work

of Canadians, is to contemplate a tax on the basis of an idea that is conceived in the mind of a taxpayer which later gives rise to work in progress which, in turn, gives rise to the dispatch of an account. The mere concept that I might do work for someone should give rise, I suspect, at a later date, to the belief that, having thought of doing some work, I should pay tax to the Government with respect to the profit I might generate in the event that the work were ever undertaken.

One of the problems with respect to this new development is that there will be a determination of the fair market value of the work that is done, prior to the dispatch of the account. This, I submit, will involve individual taxpayers in the professions caught by the provisions of this amendment, with an obligation to retain advisers who can value the work which has been done. There will be a constant badgering by the officers of the Department of National Revenue who will argue that the value placed upon the work is not high enough. I fully recognize that the reserve for doubtful accounts, assuming that an account is ultimately rendered, will still apply. These provisions have long proved to be a mechanical problem confronted by taxpayers who have any desire to regiment properly the way in which they plan their tax affairs.

Let me say what in my view the provisions of the Bill should include. In today's circumstances they should obviously make provision for tax reductions and not tax increases. The Minister of Finance (Mr. Lalonde) has stood in the House and proclaimed the great benefits which are to befall taxpayers as a result of the passage of the legislation. Let me remind the Minister and the House that the Bill contains a deindexing provision which will automatically have the effect of increasing taxes for Canadians generally. For that reason it is offensive, because it has the effect of increasing the true rate of tax that has to be paid.

Inflationary pressures creating illusory—I say illusory and not real—assumptions of income increases ought not to give rise to payment of tax at a higher rate. They ought not to give rise to a diminution of the real value of the deductions which are permitted under the provisions of the Act prior to the introduction of the Bill and the computation of income. Those benefits enjoyed by Canadians will disappear by the passage of this legislation, and Canadians should be aware of that.

May I say one final thing with respect to the Bill as it relates to the inclusion in income of an element of whole life insurance policies. The provisions can be found in Clause 5(1), and I will direct my attention to them in Committee of the Whole. Unfortunately, they leave the right to determine how those amounts are fixed to the Governor in Council, and not to the House of Commons. I submit that is objectionable.

Mr. Doug Neil (Moose Jaw): Mr. Speaker, like the Hon. Member who just spoke, I find myself locked in to a ten-minute speech when there are many things I want to say with respect to the specifics of this Bill. I look forward to Committee of the Whole hearings when we can deal with the specifics, but at this time I should like to make some general comments.