

Income Tax

his first three months of work. He cannot even send out a bill and he has no income. That seems to be analogous to a farmer with grain in his granary. It has not yet been sold, so he should not be taxed. I think that is fair. The Government should not tax people before they have received income.

However, why should there be this double standard? Again, I ask whether the Government is intending to set a precedent concerning professionals called "work in progress" and, at a later day, to start to tax all the farmers of the nation, the minute their crops are harvested and before they are sold? That is our suspicion and words are not enough. If the Government does this to one group and it works, and it sets a precedent, we are suspicious that it will happen again.

Mr. Cosgrove: Mr. Chairman, the Parliamentary Secretary to the Minister has indicated that it is not the Government's intention to extend the provision so that it will affect farmers. The Hon. Member raised this as an example, in the context of drawing parallels. The Government has not raised this example. No officials of the Government have raised it. It is something concerning which the hon. gentleman, for reasons he has given, feels some anxiety. I would like to indicate that it is not being considered by the Government in so far as farmers are concerned. The question was raised in the context of treating taxpayers equitably, and of course this raises questions concerning whether people are treated the same.

The Parliamentary Secretary has indicated that considerations of equity motivated the Government to classify certain professions under this Section because, in equity, there were similar types of other small businesses, not farmers, which have become "professions" by legal definition. Some businesses which were not considered professions ten years ago are now being considered as such. When considering the issue of equity, the Government found, in comparing the tax treatment of small business, that some professions were able to take advantage of the small business rate under the Act as it now exists. Some were indeed able to take advantage of incorporation while others were not. For example, others are specifically prohibited from that type of legal protection and financial benefit by provincial statute.

Therefore, although equity does invite everyone to be treated equally, we know that that cannot be exactly the case in the real world. However, we do attempt, in equity, to give people somewhat the same advantage. For reasons I have given and for others given by the Parliamentary Secretary, the Clause was introduced so as to exclude work in progress. The Section would be amended to restrict its application to the named professions, for all the reasons submitted to the committee which moved it to exempt certain of those professions.

Mr. Hawkes: May I refer to page 6, Clause 3(4)(a). I will just read it into the record:

—work in progress at the end of the taxation year of a business that is a profession means the amount that can reasonably be expected to become receivable in respect thereof after the end of the year;—

I have a small business, an office coffee service. I buy my coffee for a certain amount of money from a wholesaler, I deliver it to a customer, and I give the customer a bill. That is a receivable. It includes my cost of purchasing the coffee, my delivery costs and hopefully some profit. That is the definition of a "receivable" in the normal business sense.

Earlier I asked the Parliamentary Secretary whether or not work in progress, in an accounting sense, would be judged, at a certain level, to be a receivable. If it is, and I think the clause makes it clear that it is, then the costs of doing the work, the overhead costs and profit, would be included.

When work is in progress, not only has one not sent out a bill, but one has not received the money either. However, through this Clause, the Government seeks to tax an inflated amount, more than one's expenses, presumed to include profit.

Mr. Fisher: Mr. Chairman, I can assure the Hon. Member for Calgary—

Mr. Hawkes: West.

Mr. Fisher: Calgary West. I extend my apologies for not knowing the name of the Hon. Member's riding. I can assure him that the professional will be required to value the work in progress in the same way as any other inventory, namely, at the lower of either its cost or its fair market value.

Mr. Hawkes: That is a refreshing set of words. Can the Parliamentary Secretary tell me where, in law, it is found that that will be the case? Where is the paragraph that states that, when Section 3(4)(a) states that work in progress means the amount "to become receivable in respect thereof after the end of the year"?

Mr. Fisher: I would refer the Hon. Member to the Income Tax Act, Part I, Section 10(1), with regard to evaluation of inventory property. I can read it for him if it is useful.

Mr. Hawkes: Please do.

Mr. Fisher: It states:

For the purpose of computing income from a business, the property described in an inventory should be valid at its cost to the taxpayer or its fair market value, whichever is lower, or in such other manner as may be permitted by regulation.

That is already in the Act.

Mr. Hawkes: Then may I ask the Minister why one part of the Bill, in relation to fair market value, states "expected to become receivable in respect thereof after the end of the year"? Why is that written in one place, with the taxpayers of the nation being forced to read another definition of inventory and then refer to a subsequent Section of the Bill? Why do we not have clarity? Can the Parliamentary Secretary really assure us that every one of those revenue agents from coast to coast who work for the civil service will read the Bill so thoroughly that every single one of those human beings will make the same decision in each individual tax case? Or will some read paragraph 4(a) and say: "You have not done it right", while other people read Section 10, which the Parliamentary Secretary has cited?