

*Private Members' Business*

Now, let us move to the motion of the hon. member for Mackenzie which I will read before commenting on it:

That, in the opinion of the House, the government should consider the advisability of introducing amendments to the Income Tax Act so that taxpayers whose income may fluctuate from one year to the next would be able to average their income over five years.

The hon. member explained the objectives of this motion. At first glance, it would seem that it would benefit a number of people in very special job categories. For example artists can make a lot of money one year and very little the next. There are also those who are into production of some kind, like farmers or fishermen. Think of all the self-employed persons who, from one year to the next, do not know how much their income will be. This is the most positive aspect, which does not mean there are not others.

We tried, through various schemes—be it unemployment insurance, crop insurance or others—to stabilize income as much as possible, with relative success, depending on the area of activity. These insurance programs are precisely income stabilization schemes which guarantee a certain income stability.

The problem is that the motion is not restrictive in any way, and would apply to people with very high incomes in a given year, even though they do not belong to any of the categories I just mentioned. Does it mean that anyone with a sudden high income would be able to defer it at will? This might be a way of ensuring that individuals go on a sabbatical every four years. It just might be. But then again is that really the objective?

I believe that the real objective is more to help people whose income fluctuates due to the type of economic activity they are involved in. On several occasions, the member referred to the fact that nowadays our economy is very diverse and that it should be taken into account. However, I doubt very much that it is appropriate to do so for everybody since, obviously, the more time you have to plan how to manage your taxes, the easier it becomes to evade them. Balancing revenues and expenses is one of the fundamental principles in accounting but this goes slightly in the opposite direction and the more you separate the two the more complicated it becomes.

Of course, as the Liberal member mentioned later on, we must wonder whether the whole tax credit system and the entire tax structure would have to get adjusted to take the deductions into account? Should we allow the same income averaging? It would become extremely complex. This does not mean that we should not permit a certain level of income averaging in some specific economic sectors or for individuals involved in these sectors, but it should be done as simply as possible and only in a very

limited and strictly controlled way. Obviously, this kind of measure cannot be very simple.

The Income Tax Act allows companies to carry forward profits and losses, at times with some degree of success, but at other times, the government is depriving itself of significant revenues. Companies are allowed to do some tax planning and they certainly take advantage of it. You could say that they reinvest this money in the economy, except that, in some cases, they minimize the taxes they will have to pay.

• (1130)

I have some concerns about extending this system to include all Canadians. I think that we should identify our target more clearly and even take a hard second look at the provision in our tax system that allows businesses to carry forward profits and losses over a certain number of years.

Family trusts are another means used to defer taxes. We have been looking at this issue since our arrival in the House of Commons and this morning is an ideal time to speak about it.

As you know, in the case of trusts taxes can now be deferred until the last beneficiary has died. In some cases, this represents 80 years of tax deferral. With tax planning horizons as distant as this, you can be sure that the government will be seeing very little revenue indeed. There are limits—taxes cannot always be avoided—but the longer they can be deferred, the more possibilities there are and the greater the amount due will vary.

I therefore have some reservations about the motion, and rightly so, in my opinion. Not that we need linger too long over the motive for the motion. I can recall people, particularly artists, calling for income averaging. Given that only people in certain sectors are affected by it, I think it should be looked at more closely.

The hon. member seems to have examined the question very carefully because there was a similar system in the past. He should now focus his attention on specific groups in certain areas of economic activity rather than on all taxpayers. When this is done, it will be possible to comment with more assurance. At this stage, there are arguments for and against.

We understand the reasons for the motion, but cannot give our support to something this broad. The goal is very obviously to allow all high-income earners to average their income, but it could lead to some odd situations. Would not those with high salaries or income from company profits—in other words, dividends from businesses they own—have an opportunity to average even more of their income than is already the case? They will have two ways of allocating their dividends or corporate revenues. This will produce rather surprising results at the fiscal level.