

Income Tax Act

small communities, rural communities, cannot afford full-time firemen in attendance, and as a consequence I have received letters from places like Tilbury and Leamington and I think we have to respond eventually to what they are saying. The hon. member for Middlesex-London-Lambton (Mr. Condon) has shown me letters he has received from places like Petrolia. We have all received letters, I am satisfied. But I wonder whether we shouldn't be looking perhaps at the larger question of volunteerism across the board and whether government should not be acknowledging in some positive way the work of volunteers throughout society, whatever they do, be it responding to fires, be it responding, as in the case of the Amherstburg group, to emergencies of a personal nature, or be it going into hospitals and acting as Candystrippers and that sort of thing. It seems to me there is a larger question than whether we should be immediately reacting on an ad hoc basis, as I say, to one particular segment of volunteerism that we recognize is needed and does a service.

It would seem to me, Mr. Speaker, that given the report we have had, the Narcova Report, given that submissions have been made to the Minister of Finance (Mr. Chrétien) by the national associations of volunteer groups suggesting we should be doing something positive in order to assist volunteerism in Canada, perhaps the time has come not only to take a look at a motion like the one made by the hon. member for Villeneuve or the suggestion made by the hon. member for Gatineau, but to consider whether or not there is a role to be played by government in terms of volunteer associations different from that played up to now. Should it be the role of government to provide moneys to voluntary organizations? Or, rather, should we be giving support to these organizations in other ways? Should we in fact be examining the possibility under the Income Tax Act, if we are going to use that vehicle, of requiring that if we are going to have an exemption—the \$100 exemption for charities and religious donations—should we in fact be widening those two categories? Should we be enlarging that kind of deduction so that there would be greater incentive to and reward for volunteers?

This leads us to the question whether we should be exercising the kind of control the government has had in the past over voluntary associations and the spheres in which the volunteers have worked, or whether we should be withdrawing. Should we be allowing space or room for volunteers and voluntary associations in terms of deductions, such as I have talked about, or should we be withdrawing our control of those organizations, allowing them to get more funds from the private sector and, indeed, exercise greater control over their own destinies and ultimate aims?

Along with the other members who have spoken, we recognize the valuable services which volunteers in many fields perform for the good of the community, but we have to be very careful about using the Income Tax Act as the vehicle for recognizing and encouraging this kind of public service. If a deduction is given to the firefighters, as has been proposed, the House would then have to consider recognition in the tax

system for all sorts of other volunteer activities. I think I have pointed that out.

● (1742)

Some hon. members may be aware that the Royal Commission on Taxation examined the question of expense deductions. The commission concluded in volume three of its report dealing with taxation of income that all income in the broad sense should be taxable. As a corollary the commission concluded that only those expenditures incurred in earning income should be deductible. In this context the commission observed that it is difficult to design a simple and fully enforceable system which will preclude the deduction of personal expenses.

The commission recommended that the problem of deductions for expenditures be approached in two ways simultaneously. There should be general rules that deny deductions of personal expenditures, and there should be specific provisions in the legislation which explicitly deny particular kinds of expenditures where there is likely to be a substantial personal benefit involved. I think hon. members will appreciate that to rely solely upon general rules would make full enforcement virtually impossible, while to rely solely upon specific provisions denying deductions would place a premium on the skilful manipulation of the affairs of the taxpayer to avoid the letter of the prohibition.

Following the commission's reports and recommendations parliament adopted three general rules to govern the deductibility of expenditures which, I am advised, are now reflected in the tax law. The first of these rules has both positive and negative aspects in that there is some definition as to certain expenditures which should, and others which should not, be deductible. The other two rules are essentially restrictive in that they disallow expenditures which might otherwise be deductible.

The first general rule is that expenditures are deductible only if they are reasonably related to the gaining or producing of income. Thus, any expenditure not so related is not deductible. This rule ensures that expenditures of a personal nature arising out of personal choice or not related to the earning of income will not be deducted by any taxpayer. The second general rule is related to the first and is concerned with the amount of an expenditure. It introduces a concept of reasonable expenses to circumvent the possibility of tax avoidance. The third general rule focusses on expenditures made for personal use or consumption which are not allowed as deductions.

I could get into detail regarding the current tax law, but I would rather not do that. I want to demonstrate my concern, which is the concern of the hon. member for Villeneuve, about the plight of the voluntary fireman by speaking very briefly, sitting down and affording someone else the opportunity to participate. I want to make the same point which was made by the hon. member for Gatineau. There are general rules to be considered over and above reaction to the just demand which is being made by voluntary fire associations. Given the fact that we have been told that a new budget is coming, I think the