

whole set-up. Be that as it may, in the annual report of the CMA there is an outline of the events as they happened from last November to the present time. The question I ask is whether the minister has taken care of, and will he perhaps make an explanation of the capital cost allowance on buildings and other structures as these were affected by the decision of the Supreme Court of Canada. If I read this bulletin properly, it says on page 15:

Following the CMA's strenuous oral and written representations, class 8 of schedule B of the income tax regulations was amended in July by order in council to include property that is a structure in the nature of manufacturing or processing machinery or equipment and tangible property attached to a building.

● (1550)

I wonder if the Minister of Finance would be prepared to table that order in council which was passed last July and corrected, shall we say, the difficulties created by the judgment of the Supreme Court of Canada in dealing with capital cost allowance on buildings and other structures. This has to do with clause 8 of schedule B. I would appreciate it if the minister would table that order in council.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I will guarantee to do that either in committee or elsewhere, although it is a public document.

Mr. Lambert (Edmonton West): It may be a public document. It was referred to in the *Canada Gazette*. But it is not a public document in this House, and certainly it is not before the committee.

The Chairman: Order, please. Perhaps the Chair could deal with this point. I presume it would meet the wishes of the committee if the document in question were tabled when the committee rises and we resume sitting in the House.

Mr. Lambert (Edmonton West): Yes, Mr. Chairman. I am interested, of course, in block 3 where there is a definition of Canadian manufacturing and processing profits.

On December 28 the minister issued a news release in which he outlined proposed income tax regulations dealing with manufacturing and processing profits. I appreciate the minister's courtesy in tabling this release in the House on June 8. The news release deals with the proposed method of determining a corporation's Canadian manufacturing and processing profits which would be eligible for the 40 per cent and the 20 per cent corporate tax rate.

In case anyone thinks this is going to be easy to figure out and that one will, instead of applying the 50 per cent rate to corporate profits as has been the case hitherto—no matter whether these include active business profits, investment revenues or anything like that—apply the new rates, I say banish that thought from your mind immediately because a most complicated formula is applicable. If a manufacturer happens to be also the distributor of his goods, he can only claim the 40 per cent rate on those profits which are attributable to the manufacturing sector of his operation. For instance, if a furniture manufacturer has a shop where he turns out furniture which he retails in part in a building alongside the shop—all these activi-

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ties being handled, of course, in the books of the company—the 40 per cent rate will only apply to the manufacturing and processing that is done in the one building. All the revenues that he makes from retail sales in the building alongside or perhaps in the shop at the front will be taxed at the 49 per cent rate.

If I am wrong, I hope the minister will correct me, but I do not think I am wrong. This may be all right for the large manufacturer who has a substantial accounting staff, but this applies as well to the small manufacturer whose rate is being reduced by about 5 per cent, to 20 per cent from 25 per cent. This will cost him more in additional accounting salaries, I suggest, than the tax saving. The minister shakes his head. I should like to know how the income of the small manufacturer who also engages in distributing and retailing is to be separated, or divided up, because this provision applies not to his total income but only to that portion relating to manufacturing and processing profits. There must be a clearcut distinction.

If I know the Department of National Revenue authorities, notwithstanding the perhaps more benign attitude of the Minister of Finance they will be right in there winnowing out everything that has nothing to do with manufacturing and processing and those profits will be taxed at the higher rate. I invite members of the committee to read this press release. When we come to the definition in block 3 of Canadian manufacturing and processing profits I will put on record the formula and the meanings of the terms with which we shall be dealing, and I shall ask anybody to tell me whether this is not going to be the most complicated part of a complicated act.

Having said that, I might say that the other day we voted to send this bill to committee of the whole for examination and explanation. The nation is committed. Business has committed itself. However, we feel we are still right in that this provision should not become an integral part of our tax system, as proposed by the Minister of Finance, even though there is not one part of the Income Tax Act that cannot be changed. The present minister or any successor could say, as predecessors in that portfolio have said in the year following a change, "We have to make changes in the income tax system for this or that purpose." Therefore, I say there are better means of introducing cuts than those the government is seeking. However, this having been done, and since the minister has indicated that he is going to present an amendment, of which I think I have sufficient knowledge, which deals with the review procedures much more satisfactorily from the point of view of my party, we are prepared to accept this particular provision so far as it applies in Bill C-192.

Mr. Saltsman: Mr. Chairman, I think at this point of the debate we should focus our attention on the question of equity and fairness and consider what is to be given to the corporate sector in the way of tax relief as against what is available to the private individual in Canada by way of tax relief. I do not think enough emphasis has been put on questioning the effectiveness and value of these proposals and the minister's own terms of reference. He suggests that this measure is going to stimulate manufacturing industry for the good of Canada and offset some of the