

Income Tax Act

This was the same type of reasoning given a few years ago for setting forward the payment of corporation taxes. People asked how it would benefit the government to have corporation taxes paid two or three months earlier. The fact is that the taxpayer never catches up on those two or three months' payments until he dies or goes out of business. This is what is now proposed with respect to professional income. The professional will be paying 20 per cent more income tax for five years, if it is a five-year write-off period. We should be told if that is the reason.

Under the old system a dentist, doctor, lawyer, accountant or professional person of any kind kept a reasonably simple set of books. He totalled up what he received in fees, wrote off what it cost him to operate his business and paid tax on the remainder. Now these people will need to hire bookkeepers to keep track of all their billings and their bad debts. We should be told the reason for the proposed change.

[Translation]

Mr. Clermont: Mr. Chairman, the hon. member for Parry Sound-Muskoka (Mr. Aiken), who just resumed his seat, mentioned in the course of his first remarks today on the sections under debate the changes brought about by Bill C-259 regarding professional income and he was wondering whether the purpose of those changes was not simply to increase government revenue.

I think the hon. member also mentioned in his speech this afternoon that small or big businessmen could also opt for the accountancy system of their choice. I think that two groups are entitled to this option under the current law: professionals and farmers.

The hon. member also had some misgivings in respect of accounts receivable. Let me give you an example. Supposing the accounts receivable of a professional amounted, as at December 31, 1971, to \$5,000 and that these same accounts increase to \$6,000 by December 31, 1972, only the increase of \$1,000 would be considered for tax purposes and not the accumulated accounts receivable for the last 10 or 15 years.

Even the method suggested in Bill C-259, regarding professional income, would allow certain advantages, some of which I will detail, with your permission, at a later stage.

The hon. member for Parry Sound-Muskoka is not the only one who spoke on the income of professionals. The hon. member for Calgary North (Mr. Woolliams), the hon. member for Dauphin (Mr. Ritchie) and the hon. member for Edmonton West (Mr. Lambert) have also commented on the subject. As to the hon. member for Regina East (Mr. Burton), he has taken a completely different stand.

• (3:40 p.m.)

[English]

Several members have expressed concern about the government's proposal for a professional taxpayer to report income on the accrual basis. I should like to make a few comments to place the proposal in proper perspective. In the first place, this proposal affects only professional business; all other types of business except farming and fishing already report income on the usual basis.

Mr. Lambert (Edmonton West): It is the old excuse.

Mr. Clermont: Furthermore, their businesses have greater capital needs for inventory and other assets than does a professional business. Accordingly, I see no reason why a professional business will have difficulty in complying with this change in the method of reporting income. It should be pointed out that the professional will still have more flexibility than the wage earner in the time of reporting income. By choosing a fiscal year end early in the calendar year, the payment of tax may be delayed for one year.

Mr. Lambert (Edmonton West): That is nonsense.

Mr. Clermont: Furthermore, the professional may have several months of work-in-process which does not have to be recorded. The wage earner has no choice but to pay his tax as he receives his income.

[Translation]

Mr. Chairman, the hon. member for Edmonton West has repeatedly referred to the work the Committee on Finance, Trade and Economic Affairs did last year on the white paper. He is aware that various professional associations have made representations. The white paper proposal was of far more general than the proposal contained in Bill C-259. The white paper actually referred to the preparation of income returns based on an accounting system covering accounts receivable and work in progress.

Mr. Lambert (Edmonton West): That was sheer nonsense.

Mr. Clermont: I believe that people are not frank when suggesting that the government has not carefully listened to some representations. As concerns entertainment costs and convention expenses, according to the white paper, bill C-259 allows deductions for some expenses.

Concerning extra revenues that the government could get in 1972 following the new methods proposed for completion of income tax returns, I may say that whether a professional makes his computation on a cash basis or on an accrual basis, I doubt very much that the government will get a much larger revenue.

[English]

Mr. Aiken: I have one question that was not answered, Mr. Chairman. I should like to take the example of a professional person, let us say a medical doctor, who when the new act comes into force has outstanding, unpaid accounts of \$15,000. He has not paid tax on those because he has been on a cash received basis. Under the new system he cannot be charged for this \$15,000 because it was not earned in 1972. In what way is he taxed on that, or does he get away without paying tax on his outstanding, unpaid accounts?

[Translation]

Mr. Clermont: Mr. Chairman, according to the illustration furnished by the hon. member, if a medical doctor's accounts receivable amount to \$15,000 in 1971 and to \$12,000 in 1975, he will pay taxes on the difference of \$3,000 between the two incomes.

[English]

Mr. Lambert (Edmonton West): Mr. Chairman, following consultations with my colleagues and representatives of