

*Income Tax*

should be taxed on income. The Government and Parliament, in using those resources, should as well disburse those resources with equity. So the question is, is it fair? Fair to whom? When you ask a question about fairness, you have to expand the question. Is it fair to whom? To all Canadians.

• (1240)

**Mr. McDermid:** Mr. Chairman, I find that very interesting. People are taxed on income they do not have. It makes one wonder if that is fair. It is much like the situation of our senior citizens who have to file income tax quarterly when they receive income on a yearly basis or half-yearly basis. They still have to pay their income tax before they receive their income. That is what is happening in this instance as well.

Let me remind the Minister and the Parliamentary Secretary, who was critical of those who did not attend the committee hearings, that I did not attend them either. I am sure many of my colleagues did not. The Minister did not.

**Mr. Fisher:** Your whole Party did not.

**Mr. McDermid:** The Minister just said he did not, but, that is a red herring. Let us forget it. Let me read into the record what the Standing Committee on Finance, Trade and Economic Affairs were presented with on Wednesday, August 4, 1982:

Some professionals such as trial lawyers, engineers and architects do not charge for their service on a time basis, but rather on a contingency basis where the calculation of fees for service rendered is feasible only when the service has been completed with a reasonable degree of success. If the outcome is unsuccessful, the firm may not be able to collect any fees from its client. Although taxes will have been paid with respect to work in progress, it would not be of any value to the firm since it is highly unlikely that specific professional service can be sold to another client.

If professional work in progress is to be taxed in a similar manner as that of other business, some noted that the 3 per cent inventory allowance conferred to other business should also apply to professionals.

That is what was said in the committee.

There is a question that has not been answered either by the Minister or the Parliamentary Secretary. What happens if work in progress is taxed but is not completed? What happens to the individual who pays the tax and the work does not get completed, or it does get completed but he does not get paid for it?

**Mr. Fisher:** Mr. Chairman, may I apologize to Hon. Members for my earlier partisan rudeness. I think the comments made were quite right. I do not want to pursue things in that vein. I have found some of the questions to be very useful.

**Mr. McDermid:** We accept those apologies.

**Mr. Fisher:** I own my own business. In my business I have to declare my inventory as an asset and then in the coming year write it off as an expense. What we are asking of people who experience this situation is to come into line with the tax practices of hundreds and thousands of other small businesses across the country. We would treat that debt in the same way we would treat bad debts in my business. I ask the Hon. Member to use that as a yardstick. If hundreds and thousands

of small businesses across this country have inventory regulations and have write-off opportunities, then in the same way we are asking some professionals to treat their work in progress as if it were inventory.

We have had very clear indications from most of these people that they can handle this kind of thing. There were problems with lawyers who told us about having drawers upon drawers of files. Lawyers have relationships with clients. Often some of their cases are not billed successfully. Sometimes advice is given on a free basis and sometimes a fee is adjusted according to a client's income, and so on. There is a very personal relationship between lawyers and clients.

But let us look at the situation of a doctor, for example, in Ontario. If a doctor does a certain amount of work for a patient, the doctor can immediately at least bill OHIP or use the OHIP fee schedule. A doctor does not have any work in progress; a doctor has constant billing. Because of the safety net of the Ontario Government, he has some assurance of being paid.

When we looked at the difference between lawyers and small businesses or lawyers and doctors, or between architects and small businesses, during the committee hearings we found there were some parallels between some of these professions and other small businesses. But it was very clearly drawn out that some professionals really would be faced with a punitive burden if they had to go through all their hundreds of files right from the beginning to try to put a monetary value on a lot of work that often was not billed at all. All this unproductive work would have to be billed against clients in future. A kind of compromise was drawn up. On a tax basis the compromise matches the opportunities given those people who have a small business rate and those people who did not.

**Mr. Lambert:** Mr. Chairman, what I am going to say now is nothing new to the Parliamentary Secretary. This is a shabby, disreputable remnant of rejected Carter that has been left lying around the floor for the past decade.

**Mr. McDermid:** That is right. It was turned down in 1969-1970.

**Mr. Lambert:** There is no need for it. One of the chief complaints in the committee hearings, which the Minister did not attend but the Parliamentary Secretary and the officials did, contained in brief after brief and which witness after witness complained about, was the cost of compliance with the Income Tax Act. This is just more piling it on and there is no need for it. The Crown will get its tax.

A compromise was made in 1970 that billings were to be taken in as income for the professions as a whole. They agreed to it, albeit reluctantly, but that compromise has been there. But why now toss in work in progress? It is not the tax officials who have been in the habit of evaluating business. With all due respect to the Parliamentary Secretary, if he will listen—

**Mr. Fisher:** Yes.

**Mr. Lambert:** The Parliamentary Secretary claims he is in business and has an inventory. The professionals in this