

Income Tax

[*Translation*]

Mr. Chrétien: Mr. Chairman, I have just stated in an elaborate fashion that there are many of these benefits. I could mention others. For instance, a number of corporations allow their employees to buy consumer goods. The people who are working for Simpsons-Sears can buy goods at prices which are cheaper than those paid by other consumers. We should normally step in, and there are all sorts of situations. The hon. member has asked on what basis we decide. The basis we are using is something which is called "judgment".

[*English*]

Mr. Stevens: Mr. Chairman, perhaps the minister has now come to the letter I am referring to because the example he gave is exactly another example that this taxpayer gives. He says that if he worked for Simpsons-Sears or Eaton's he would get 15 or 20 per cent discount on his purchases. Is the government suggesting that this is going to be deemed income in future in order to remove whatever inequity it thinks exists in that situation?

[*Translation*]

Mr. Chrétien: Mr. Chairman, the federal government does not intend to introduce such a measure.

[*English*]

Mr. Alexander: Mr. Chairman, I have one short question. I should like to refer the minister to the explanatory notes. On deemed income there is an explanation which includes the following words:

... the Act be amended to require an employee, shareholder ...

These are the words I am concerned about, where it says:

... or related person to include in his income the amount by which

(a) interest for the year computed at a prescribed rate on loans from an employer or a corporation ...

The governing words in the initial paragraph "or related person" are left out in the explanatory note where it speaks of "interest for the year computed".

Does the minister understand my point, which I think is very significant?

Mr. Chrétien: Mr. Chairman, the substance of that measure is in the clause. If the clause were read by the hon. member he would see the problem does not exist in the actual reading of the act.

Mr. Alexander: Mr. Chairman, I have read the act and I am reading the explanatory notes. I can only gather information from what is given by the minister by way of explanatory notes. In one instance it talks about "employee, shareholder or related person" and then refers to the "interest for the year computed at a prescribed rate on loans from an employer or a corporation" but leaves out the phrase "or related person." I want to know why that is left out. I have read the act and I did not find the answer. Perhaps the minister could give an explanation.

Mr. Chrétien: If the hon. member would look at Clause 35.(1) where it refers to 80.4 of the act he would find the explanation. Clause 2 and clause 35 are related.

● (2022)

Mr. Kempling: Following along with these questions on clause 2, I wonder if the minister would clarify several points with respect to expenses involved in moving, and whether or not these items are covered. As you know, mobility of people is very important to industry today. We are transferring people around particularly in industry perhaps in difficulty and placing management people in there. Aside from the allowances made on houses, what about moving expenses generally? Is moving expense going to be considered a deemed income?

Mr. Chrétien: There is an amendment later regarding moving allowances, I will give you the number in the bill.

Mr. Kempling: Will it cover also such things as broadloom allowance, drapery allowance, underwriting a loss on real estate, differential of upgrading of residence, bonus for moving, education allowance—are all those things covered in that section?

Mr. Chrétien: The moving allowances are found in clause 27 in this present bill. We are amending those regulations in clause 27. With respect to education, it is not included.

Mr. Kempling: Did you say that education is not included in here?

Mr. Chrétien: The tuition problem which the hon. member is referring to is not a moving expense.

Mr. Kempling: That is a matter of interpretation. What about the other items I have mentioned? In corporations where an executive is moved around and they move into a new home, there are decorating, broadloom and drapery allowances given and that sort of thing. Is that considered deemed income?

[*Translation*]

Mr. Chrétien: Mr. Chairman, clause 27 includes a definition of what is allowable as moving expenses, namely draperies and things like that, a certain number of items which have long been defined as moving expenses and are included in the Income Tax Act to be amended under clause 27.

Obviously, Mr. Chairman, it must be understood that I cannot act as the lawyer of the department and give every definition of each thing which can be included. We are now considering the amendments to the bill and when it is passed, the taxpayers will know what to expect. In this case, there is a series of moving expenses allowable under the Income Tax Act.

[*English*]

Mr. Alexander: I have now found section 35 and I would like some information. I would like to know how close this relationship must be between the individual getting the loan and his relationship to the officer and employee. Is there a