

*Income Tax*

provisions are in the Act so that they do not have to foot the bill for the \$40 million costs that were described earlier.

**Mr. Hawkes:** Mr. Chairman, what they are taxing here is income which has not been received. It is income for which bills have not even been sent out. The estimate of the Minister is that the revenue for the Government in the first year will be \$40 million. If we assume that \$40 million to be even 25 per cent, which I think is a high number, then we are dealing with \$160 million worth of unbilled income of which they get \$40 million. People have to use their own resources or go to the bank to borrow in order to pay their tax bill for money which has not yet come in. If they have to borrow the whole \$40 million, there will be a \$6 million borrowing cost at 15 per cent interest. It is an enormous amount of money sitting out there in the universe which has not been collected, has not been billed, and the Government is collecting revenue on it.

If the Government is minded to treat people the same and treat them fairly, will we get a change in tax policy as it relates to farmers? Farmers are small-business people who plant crops in the spring and harvest in the fall. At the point at which they harvest and put the crop in their granaries, is it the Government's intention to treat it as if it were already sold, that the income is already in their hands and therefore they tax it? Is that the direction in which the Government is heading, to the small-business farmers?

**Mr. Fisher:** Mr. Chairman, first, I am happy to reassure the Hon. Member that there is no intention to change the provisions for farmers. Second, I would like to clear up two points which seem to be worrying him. I refer to Clause 3(2)(a) on page 6 which reads as follows:

—property (other than capital property) of a taxpayer that is work in progress of a business that is a profession, advertising or packaging material, parts or suppliers is, for greater certainty, inventory of the taxpayer;—

I hope that clears up that problem for him.

Also, he referred to \$40 million coming in from this measure. May I correct any impression that I might have left. The \$40 million figure is the one which we see ultimately. I believe that unincorporated businesses will have an opportunity to phase in rather than having to deal with the tax immediately. I think the first half of the income comes in in 1983 and then the full income comes in in 1984, so there is a phased-in procedure for professionals who are in unincorporated situations. The incorporated professional will deal with the whole load immediately.

**Mr. Hawkes:** Mr. Chairman, I return to the Minister on this one. Grain farmers in western Canada today harvest their crop, put their grain in granaries, even deliver it to elevators, and defer the income to a subsequent tax year. In other words, they have a commodity which is clearly in inventory but is not taxable. They deliver it to elevators. They are eligible for cash, but they have a provision in the tax law which allows them to defer the income to a subsequent tax year. I give the Minister that situation and his own thrust of policy, which is to treat people fairly and equitably and more the same.

Why is he doing this with work in progress? Bills are not even sent out. The work is not completed. The analogy would be like charging a farmer half-way through the crop year for income which he clearly has not received because he has not yet harvested the crop, let alone delivered it to market. How can the Minister talk on the one hand about fairness, on the other hand tell us that they will not treat farmers differently and then go ahead with work in progress, on the logic they are giving us? Where is the logic and where is the fairness in the system? Is not the Minister really intending to treat farmers down the road as small-business people and to start charging them on income for products produced which have not yet been sold?

**Mr. Fisher:** As I understand it, Mr. Chairman, there were previously two groups which we treated in this fashion—professionals and farmers. Today it will be only farmers. I remind the Hon. Member of two rationales which we have already discussed. The first is that we are seeing increasing classifications of professionals as a result of some court rulings. Larger and larger numbers of people who were previously businessmen are now considered professionals.

I was told the story that someone called himself a professional because he was a consultant for weddings. Whereas previously that individual would have been treated as a straightforward businessman, now he wanted to take advantage of the work in progress provisions. There are more and more categories of people who are seeking to take advantage of this provision for professions. Second, many of these people, or the overwhelming number of the ones who are exempted, are able to take advantage of the small business tax rate.

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Therefore, in answer to the Hon. Member I first want to say that there were two categories before, farmers and professionals. Now there is only the category of farmers, and we have no intention of making changes which would affect them. Second, there were larger and larger numbers of people seeking the advantages which had previously been limited to a small number of professions.

**Mr. Hawkes:** Mr. Chairman, I guess, through experience, that we on this side of the House have learned to be very cautious about what the Government says on any given day.

**Mr. Fisher:** Thank you.

**Mr. Hawkes:** This is because the Government has a habit of saying one thing and doing another. If the Hon. Member wants to thank me for that comment, I would appreciate it.

**Mr. Fisher:** Sure.

**Mr. Hawkes:** He is ducking my question. Consider this example. A farmer plants a crop, it grows well, he harvests it and puts it in his granary. It is ready for market. We have a professional, an architect, who starts a building project. The end of the taxation year comes when he is three months into a nine-month project and the Government wants to tax him on