

Income Tax

on their investment income and that the pass-through provisions do not properly take into account the fact that those who are saving through life insurance companies have lost the 15 per cent. When the money is finally taken out they are not given a credit for this.

I understand the industry has placed alternatives before the minister and has been turned down with regard to all but possibly the alternative which I understand is already in existence in Australia, Great Britain, Germany, Holland and South Africa. Under this proposal, 50 per cent of allowable premiums could be deducted in calculating income, up to a maximum of \$1,000 less any amount claimed under the exempt investment income provision. There would be a limit on premium rates to prevent abuse. The deduction would not apply to registered policies and would be confined to policies on the life of the taxpayer, his spouse or a dependant child. Would the minister indicate his attitude toward this representation, and does he propose to move an amendment to accommodate this point?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, the matter is still under consideration. As a matter of fact, I signed a letter to Mr. Tuck, general manager of the Association of Life Insurance Companies, today. We allow as an exemption, under the \$1,000 exemption feature, that portion of the policy which is surrendered and bears interest. We made that recognition of the interest content in the policy. We are looking at the general 15 per cent on a different basis. As for the deductibility of the premium, the principle is that if it is deductible on the way in, it is taxable on the way out. Insurance policies are not taxable on the way out, and for that reason we have not allowed the deductibility of premiums.

● (1740)

Mr. Orlikow: Mr. Chairman, I join the hon. member for Yorkton-Melville in registering my objection to the kind of principles in our income tax laws which in my view create a situation where people at the bottom of the taxable income range pay a much greater proportion of their income in tax than do people in the high income brackets.

Looking through my files this afternoon I came across an article by David Crane who was with the Ottawa bureau of the *Toronto Star* for several years. The article was written in 1973 and he analysed some of the information released by the revenue department relating to the year 1971. According to this article, in 1971 there were 265,000 old age pensioners, who reported incomes averaging \$4,385. They paid an average federal income tax of \$415 each; those in Ontario paid another \$114 each in provincial tax. On the other hand, four of the richest people filing tax returns in Canada in 1971 ended up paying no federal or provincial income tax. The combined incomes of these four unidentified persons amounted to almost \$1.5 million. Each had annual earnings of at least \$200,000. Another four wealthy people, each with an annual income of at least \$100,000, reported earnings that added up to \$517,000—but they also managed to avoid paying income tax.

In 1971 there were 204 Canadians with incomes of \$25,000 or more who paid no income tax. Of the people with incomes of \$25,000 to \$50,000 a year, there were 128 who avoided paying income tax of any kind. I should like

[Mr. Stevens.]

to know how they do this. I am not talking about people who broke the law, but about people who used provisions placed in the income tax law over many years giving precisely the kind of exemption we are discussing now. The \$150 or \$200 interest that I will earn because I have some savings bonds I will not pay income tax on, though I do pay the regular rate on my parliamentary indemnity.

To go back to the four people with an income of more than \$200,000 each, together these four reported receiving wages and salaries of \$255,000, business income of \$155,000, rental income from properties they owned of \$10,000, gross dividends from shares in corporations of \$255,000, bank interest of \$59,000, income from foreign investments of \$769,000, and so on. These four people with, as I have said, a combined income of almost \$1.5 million were able to claim \$2,632,000 in deductions. These included medical claims of \$10,000, alimony of \$100,000, charitable donations of \$9,000—they were not very charitable—and personal exemptions and pension plan contributions of \$6,000. They also claimed \$2,286,000 in deductions from investment income. This covered a wide variety of allowances ranging from interest costs on money borrowed to make new investments, depletion allowances on oil, gas and mining investments, and investment advice and accounting costs.

The point I am trying to make is that over the years we have made our income tax laws more and more complicated. Every clause we have added has benefited almost exclusively the people in the middle and upper income brackets. Like the Carter commission, I believe that a buck is a buck. I do not think it matters whether a person earns his living as an electrician or as a carpenter receiving an hourly wage, or whether he has an investment portfolio which pays him two, three or five times as much as a person who works with his hands; he has income from which he derives benefit, so surely he should pay tax on his total income.

I cannot even accept the idea that what we should do today is encourage savings. We have almost one million people unemployed. The reason they are unemployed is that the people of Canada do not have the money with which to purchase the goods we produce: they do not have the money required to buy automobiles or to buy houses.

Mr. Andre: This sounds like social credit.

Mr. Orlikow: No, it is not social credit. What I am saying is that in this day and age we want to encourage people, particularly those in the lower income brackets, to live better and to spend more money. If instead of giving tax exemptions to people in the upper and middle income brackets the Minister of Finance would close off these tax loopholes, he could do what my colleague from Winnipeg North Centre has said, namely, sharply raise the basic pension paid to old age pensioners. He would be able to increase the basic exemption for people paying income tax and he could probably cut the income tax rate for all taxpayers.

Mr. Guay (St. Boniface): That is what they should start doing with the provincial income tax rates in Manitoba.

Mr. Orlikow: If the hon. member for St. Boniface wants to discuss income tax in Manitoba, I would be very happy to debate it with him in his own constituency in Winnipeg.