

Private Members' Business

incomes are definitely poverty level from parts of their income cycle, sometimes for three to five years.

I argue that the government should consider the advisability of reintroducing income averaging provisions once again to recognize that fluctuating incomes are a reality for a great many productive individuals in our Canadian system. Fair treatment demands that it be given a higher priority if Canada is once again to flourish.

Mr. Wayne Easter (Malpeque): Madam Speaker, I rise to speak on private member's Motion No. M-256. I question the advisability of moving in this direction at this time.

I am extremely concerned about further complicating the tax system and setting up a situation whereby those with money and in the higher income brackets have the ability to manipulate the tax system to their advantage.

When I talked to Revenue Canada about the issue I was informed its previous experiences with income averaging has shown that such averaging may result in unfair tax advantages to those taxpayers who are able to arrange their affairs so as to control the amount and timing of their income and in turn their tax liabilities.

• (1120)

By checking the retirement savings system we will find that in extremely good years some individuals may make significant tax deductible registered retirement savings plan contributions based on income. Where an allowable contribution is not made for a year, it may be carried forward for seven years. RRSP contributions may be made in a year or within 60 days after the year ends.

This system can help individuals to lessen any increased tax burden that might arise as a result of an increase in income, while at the same time fulfil its primary goal of encouraging Canadians to save for retirement. It is a very important point that we have within our tax system the ability for people in their years of good income, when they do not have to draw down on their funds for cost of living and so on, to contribute dollars into retirement savings. It helps them and society as a whole.

Averaging provisions generally introduce a great degree of complexity into the tax system. If the government and Revenue Canada have time to look at the various issues, rather than spending a lot of time looking at block averaging over the years I would certainly favour spending time looking at ways to make those with larger incomes pay their fair share.

I am surprised that greater emphasis is not placed in the motion on those who are somehow dodging the tax system in some way. We should be making those individuals pay their fair share. In fact I am worried about the motion opening up the

possibility for wealthy individuals to manipulate the tax system again to their advantage.

Talking about the complexity in the tax system, any income averaging formula entails detailed and often complex calculations in addition to very specific rules designed among other things to prevent its use for an unintended objective. That is what I am speaking about. Will the motion and its possibilities allow greater manipulation of the tax system? I am very worried about that.

A formula would have to take into account and recalculate benefits and means tested tax credits in low income years, such as child tax benefits, goods and services tax credits and various provincial tax credits, and additional taxes and credit reductions, for example, minimum tax, reduction in age tax credits, and old age security clawbacks in high income years included in the averaging period.

As well, where other supporting individuals have claimed tax benefits based on the income of a particular taxpayer, for example, spousal tax credits, their tax liability would also be adjusted based on the averaged income of the taxpayer.

Those kinds of problems really open up the possibility of manipulating the tax system further to an individual taxpayer's advantage and cause a considerable number of administrative problems in terms of the government department's ability to administer these taxes to see that they are paid fairly and administered by the rules of the act.

Averaging provisions would interact adversely with the alternative minimum tax. The purpose of that tax is to ensure all Canadians with significant incomes in a given year pay at least some level of income tax. Providing income averaging could increase the number of higher income Canadians who pay no income tax for a particular year. This is generally perceived to be manifestly unfair.

• (1125)

I do not have anything more than that to say on the issue. However I want to underline one point. I do not believe we should now be opening up the tax system to the possibility of further manipulations by individuals who have extreme amounts of income. We should be looking at other ways of improving the tax system by ensuring that the very wealthy in society pay their fair share. I do not believe the motion deals with that problem.

[Translation]

Mr. Pierre Brien (Témiscamingue): Madam Speaker, before I start my speech on Motion No. 256, allow me to congratulate the people of my riding, especially those of Rouyn-Noranda, for making it into the *Guinness Book of Records* with the longest banner in the world. This 425-metre banner was made by several families to draw attention on the International Year of the Family. It was stretched in the streets of Rouyn-Noranda, yesterday. It was quite a sight, I congratulate them.