

*Income Tax Act*

the cost of the change or adjustment which is made on the basis of the rate taken as a measurement and the rate which is granted, I have been told that it would not exceed \$2 million or \$3 million.

[English]

Clause 42 agreed to.

Clause 43 agreed to.

On Clause 44—

**Mr. Nickerson:** Mr. Chairman, under Clause 44(4) authority is to be granted to the governor in council, presumably, to establish certain rates of interest for the 1979 and 1980 taxation years. Could the minister tell us what rates he intends to establish for those two years?

• (2150)

**Mr. Bussières:** Did the hon. member say Clause 44(4)?

**Mr. Nickerson:** It is 42(4).

**The Chairman:** Clause 42 has been adopted.

**Mr. Nickerson:** I draw the minister's attention to page 104.

[Translation]

**Mr. Bussières:** It is Clause 40. The prescribed rate for the year 1980 was 11 per cent and the Minister of National Revenue has announced that the rate for 1981 would be 12 per cent.

[English]

Clause 44 agreed to.

Clauses 45 to 57 inclusive agreed to.

On Clause 58—

**Mr. Rae:** Mr. Chairman, this provision allows the taxpayer to include units of mutual fund trust in his or her definition of a Canadian security for the purpose of the \$1,000 deduction for investment income. I have some questions for the minister about this tax expenditure which arise from a series of ill-fated articles which misled the Canadian public when they appeared in *The Globe and Mail* following the minister's budget.

I am sure the minister recalls that this particular item of tax expenditure, along with a number of others, including the dividend tax credit, RHOSPs, changes predicted in RRSPs and so on, caused confusion when they were put forward. My questions really arise from the fact that this is a very costly deduction. It costs \$665 million in forgone taxes. While it does benefit a wide range of taxpayers, obviously by far the heaviest concentration of those taking the full \$1,000 exemption fall within the upper income tax brackets.

Just to show that this is fairly widespread, we know, for example, that there were 107,622 taxpayers in 1978 with incomes between \$14,500 and \$15,000 who each claimed an average exemption of \$500 under this provision.

My question for the minister is really this: together with the RHOSP and other quite expensive expenditures this was sup-

posed to be under careful study by the department and ready for the chopping block; is it still the intention of the government to study these very costly tax expenditures? Will we ever have an opportunity to discuss these in other than a very general and fairly unsatisfactory way, such as we have today? Is it the minister's intention—or does the department have any studies—to examine the differential effect of allowing a tax credit to replace the deduction for this kind of exemption for RRSP and RHOSP deductions?

[Translation]

**Mr. Bussières:** Mr. Chairman, I do not want to be malicious but if we were to agree to the many suggestions voiced by the hon. member, I think we would have to stop sitting in the House in order to do our work in committee. It would not be an ineffective way of doing things, but still, I think that all taxation measures are constantly under review considering that the goal of this government is to have an increasingly fairer taxation system. We are continuously studying the various taxation measures. The hon. member based his statement on the premise that this measure was mostly used by people in the upper income brackets or, at least, in relatively high income brackets. I am told that this is not really true and that many people who have reached retirement age, or receive pensions to make that kind of investment; as well as people with average incomes as this provision is very interesting for them, while people with a much higher income will be interested in larger investments and perhaps also in more speculative investments with a much higher return. This may agree with the contention that the more you have, the more you want. So, this would confirm what we are told in connection with this particular measure.

The government is very much concerned with the various measures that imply tax expenditures, as it is difficult to estimate such expenditures. As I said earlier, we know where they start but we never know where they stop. Those measures are subject to permanent review by the department.

[English]

**Mr. Rae:** It is just before ten o'clock, Mr. Chairman. I wonder if I could just say to the minister that our frustration about setting up so many studies arises from the fact that we would prefer to be the government making the decisions. That is not the case at the moment, so we would rather be in the position as parliamentarians involved in the study of these problems, getting as many facts as we can and being as constructive about them as we can. Rather than sitting back and letting the government carry on as though we do not exist, I suggest that would be preferable. Faced with the choice of three things—total inactivity, being the government, or having the ability to participate—as long as we are in opposition we would like the opportunity to participate.

Perhaps on that constructive note I might call it ten o'clock, Mr. Chairman.

Progress reported.