● (1720)

An investigation carried by the Organization for Economic Co-operation and Development confirmed it.

In 1978, tax revenues in Canada made up 32.3 per cent of the gross national product, thus our country ranked fifteenth, far behind Sweden with 53.1 per cent. This same investigation in a comparative study of tax revenues collected by the three levels of government indicated that Canadian provinces and municipalities receive a larger portion of tax revenues than their counterparts in other countries. According to some comments on the results of the OECD investigation, such comparisons do not reflect the distribution of the tax burden among the taxpayers nor does it permit comparing personal taxes with corporate taxes. To answer such comments, Mr. Speaker, we would have to explain the entire social philosophy underlying the Canadian tax system but as I do not intend to use all my time to deal at length with the nature of the Canadian tax system and its effectiveness in promoting social justice and economic welfare. I will merely state that such are our aims and that the proof of the pudding is in the eating. I would rather dwell upon the value of the system.

First I should like to say that according to a study in which were compared the levels of personal and corporate income tax in Canada and the United States, personal income tax in Canada is lower by 1 to 1.5 percentage points than what it is in the United States. The same is to be said with respect to our respective corporate income tax levels, but this is not necessarily true, however, for all industries.

Let us now have a look at the income tax actually paid by individuals in various income brackets. Again, these data may be found in the Statistics Review for 1978 which reports on the income tax returns submitted by Canadians for that year, the most recent one for which such data are available. In 1978, Canadians with between $1,000 and $5,000 in taxable income paid an average of $3 in income tax; in 1977, the preceding year, they had paid an average of $9. Those whose taxable income was between $15,000 and $20,000 paid $2,396, while those with a taxable income between $30,000 and $35,000 paid an average of $6,134. Those in the $50,000-$100,000 income bracket paid an average of $15,564, and so on. Those earning $200,000 and over paid an average of $107,495 in income tax. These figures clearly demonstrate how our progressive income tax system based on income levels does operate. Moreover, these figures show how this system can adjust the taxation rates to protect the incomes of individuals against the throes of inflation. For instance, the $3 average tax paid in 1978 was a reduction from the $9 paid in 1977; the $2,396 average income tax paid by taxpayers in the $15,000-$20,000 income bracket showed a reduction from the $2,564 paid in 1977, and so on and so forth. I do not intend to talk about indexation today, for it has already been dealt with at length.

However I should like to point out, Mr. Speaker, that indexation is one element of the tax structure that can benefit the individual taxpayer but not the corporations. I should also like to point out that since indexation has been implemented way back in 1973, the federal government has lost $7.5 billion of its share of revenue whereas the loss for the provinces has amounted to $2.3 billion. Indexation is applied not only to the tax rate but also to a large number of exemptions and credits to which each and every Canadian taxpayer is entitled, and low-income Canadians benefit more from those credits.

Let us consider, for example, the child tax credit. In 1978 a single parent with three children and an average income of less than $18,000 was getting on the average a tax credit of $711. Married people in an identical situation received an average credit of $600. With respect to those who were entitled to the child tax credit in 1978, a total of 1,698,270 people with an income of less than $18,000 obtained an average credit of $393, while 770,106 families with an income over $18,000 received an average credit of $268.

This type of taxation structure takes the financial situation of every Canadian into consideration. It allows the individual to show on his tax return the annual deductions and credits to which he is entitled. It should also be noted that the tax returns are simple enough since two thirds of all Canadians complete their annual returns themselves and that most of those who call on professional tax services are either independent workers or small businessmen whose taxation situation is more involved.

As I said earlier, a great many people believe that high income earners have great wealth which should be distributed equally. However, if every fraction of income over $30,000 were to be collected as tax and redistributed, every Canadian would receive only $150 and this would not help to develop our country in the long run. This brings me to the second aspect of our tax system, that is, the incentives available to private businesses.

As everyone knows, our tax system provides many deductions and exemptions for individual taxpayers. In the case of businesses, these deductions take the form of fiscal incentives aimed at developing the business sector during periods of economic recession or at creating employment during periods of high unemployment. These incentives are offered for the benefit of all Canadians and not only to help businesses increase their profits. Indeed, they encourage companies to take risks when an unfavourable economic climate would require them to be more cautious. Without these incentives, many businesses would decide to abandon their investment projects, which would be to the long-term disadvantage of our economy. Fiscal policies are often an important factor in these decisions. For instance, fiscal incentives have the advantage over subsidies that they can reach a vast population much more quickly. Businesses may easily determine whether they are eligible for an incentive and they can quickly take advan-