

Private Members' Business

all the funds successfully channelled and the financial institutions' aggressive campaigns to solicit RRSPs.

So, to avoid creating an additional tax shelter, which will cost us a lot and risks benefitting those who, in the end, perhaps have the income and ability to avoid it, we cannot support this motion.

[English]

Mr. Jim Silye (Calgary Centre, Ref.): Madam Speaker, Motion 497 seeks to amend the Income Tax Act to eliminate the payment of personal income tax on interest from personal savings accounts when the amount of interest is \$1,000 or less.

The rationale used by the hon. member for Bramalea—Gore—Malton is that the motion will do five things. First, it will promote savings. It is pretty hard to save these days. As the hon. member from the Bloc mentioned, this creates different avenues and ways to stuff your savings away where it will be harder for Revenue Canada to find it.

Second, the motion is intended to help the elderly who rely on savings and seldom enjoy the tax advantages of an RRSP later in life. This is an honourable objective and one I would agree with as a problem to solve. But solving it this way is unnecessary, especially if we were to devise a proper system of taxation.

Third, it is intended to compensate for falling interest rates. Why is this the responsibility of taxpayers, adjusting for the inflation component and interest income? That is not necessary. When institutions set their rates they base them on the performance of the economy. They are set at a regular time and over a period of ten years the average rate of return is adjusted for inflation.

Fourth, the rationale is to reduce administration costs because banks will no longer have to issue T4s for interest income, reducing the paperwork for Revenue Canada.

I believe the hon. member has it backwards. In April we all become employees of Revenue Canada and we work for free. We sweat for hours trying to get this income tax done and figure out how much we have to pay, make sure it is correct and then send it in. The information we use has to come from where we have earned our money or placed or invested our money. So whether interest income on savings is less than or higher than \$1,000, the banks will still have to issue the paperwork necessary to show you made less than \$1,000 or more than \$1,000.

• (1815)

We need to stop tinkering with the Income Tax Act and the income tax system. We should stop using it for direct social and economic engineering. This is another example of using it for social engineering. We are using it to solve a problem. I do not

deny there is a problem with money, with savings, and with how we look after ourselves, but the way to solve it is not through the Income Tax Act. We are making it too cumbersome and too difficult. It should be under a separate direct-spending program if we want to help seniors and children.

In 1917 the original purpose of income tax was simply to raise money. It was to pay for the first world war. Then the politicians and bureaucrats saw how nice and neat it was. I agree, it is a great way to deliver social and economic benefits. But problems have been created.

In 1992 the net revenue that was collected by the government on personal income alone was \$60 billion. That included all the exemptions, deductions, and tax incentives or loopholes. If there were no deductions, exemptions, and tax incentives, the revenue for 1992 would have been \$120 billion. That is \$60 billion we are leaving in the hands of people. We give it back to the people. We know it is unfair.

If we collected that revenue and put it into the spending envelopes of the people who are responsible for immigration, transportation, unemployment, and health care, then we would know what that costs. We would know who is responsible: an elected minister or a permanent deputy minister. Those people would be more responsible and accountable. The pressure would be on the government to rationalize and justify its spending. I believe there would be a downward pressure. The problem with our current income tax system is that it is unfair.

The GST is another example. It generates \$30 billion to \$36 billion, yet the net take of the government is \$15 billion to \$16 billion. There is the system of rebates, the high cost of compliance and the high cost of collection. It is ridiculous.

If we used taxation for the one simple purpose of raising money and then put the money into the areas where we want to spend it and where Canadians want it to be spent, it would be a more efficient and effective system of taxation than we presently have and we would no longer need all these rates.

We know the system is complicated, confusing, and convoluted. We need to make changes. Yet nobody addresses that. Everybody is afraid to look at a simple system of taxation because in simplicity the cost of transition from the current income tax system to a simple tax system would be too expensive and the transition would be unattainable. I heard that from the chairman of the Standing Committee on Finance, who is an income tax lawyer and an expert in his field.

In the name of deficit reduction and in the name of losing tax dollars, is the government afraid to look at a system of taxation that features a single rate and allows a generous tax-free portion so that the people who need the money most, the seniors and