

*Income Tax*

do in this budget is provide that if an individual gets \$1,000 by way of interest, he can deduct it. I suggest that if the minister is to respond in any realistic way to Canadian needs, he will have to revise his parameters. Only a certain proportion of income can be saved; the rest has to be used in meeting living costs. All those who can save because the family is raised, because they already possess their cars and television sets, must be encouraged to change their habits from those of a consuming society to those of a saving society. Before you can get them to save, you have to give them inducements to save, with the knowledge that at the end of the saving period they will still be able to enjoy the value of their money.

● (1630)

Therefore I come back to the other statement, that I do not think we can rely any more upon large international companies and accumulations of capital from Europe or the United States to help us out. We are faced with the fact that we must increase the amount of savings in Canada on the part of individuals, on the part of institutions that specialize in savings, so as to meet our capital requirements. Unless we do this, we will end up by turning this country over to outside investors who do not necessarily put Canadian interests first.

I put it to the minister that even these large companies cannot cope with this situation. Companies of the world have always relied on the generation of enough earnings and profits to provide the capital flow that will enable them to pay some dividends to their shareholders and to use the balance for new investment. Using the Canadian figures that the NDP are fond of quoting, the profits, for example, of Canadian oil companies are double or triple what they were two years ago. This is true. But if you add up all the profits of the oil companies in Canada, they came to less, at the end of 1974, than one-tenth of our annual need for capital investment in energy-related projects in Canada.

The Minister of Energy, Mines and Resources has warned the Canadian nation that we need \$101 billion over the next ten years, which is \$10 billion a year, the figure which I have quoted. Yet the Minister of Finance of the same government apparently is not listening to this warning. He has come along with a reduction, a combination of both interest and dividend payments, of \$1,000. This is a mere pencil-scratch. Since we cannot get the money for capital flow from the profits of these companies, what are we going to do, Mr. Chairman? We must revise our whole tax structure to put the emphasis on saving, not on consuming. This is a task all nations in the western world will have to undertake during the next 25 years.

My question to the minister is this: Is the recommendation of the Carter royal commission, now eight years old—namely, that we should end double taxation in respect of Canadians who buy equities in Canadian industry—going to be adopted? As the committee probably remembers, the Carter royal commission recommended we should not tax twice Canadians who invest in their own country; we should only tax them once. Then the Benson reform came along and provided a 20 per cent dividend credit on a grossed-up type of income. This was a help. However, Canadians who need capital desperately if they are ever

[Mr. Hamilton (Qu'Appelle-Moose Mountain).]

going to own their own country are still being doubly taxed if they invest in Canadian resource industries.

The first recommendation of the Carter Commission was that we should integrate corporation tax with personal income tax so as to remove this double taxation. I ask the minister whether this idea is dead. The alternative recommendation was to pass these taxes through to the individual shareholder of the company and make provision for giving him a credit on his individual tax form. I should like to know whether this concept of Carter is dead, in view of the great need for savings in Canada.

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, the proposal for integration was not quite as the hon. gentleman set forth. Mr. Carter proposed integration to eliminate so-called double taxation by removing the tax on corporations and transferring funds through taxation of individual Canadians on every source of income. Integration was rejected as an option in tax reform and in the statute that was approved as of January 1, 1972. So one could say that integration is not recognized in the statute or in the budget.

**Mr. Hamilton (Qu'Appelle-Moose Mountain):** That is my point, Mr. Chairman. Neither in the budget of 1972 nor in the statement of 1972 was it recognized; nor is the pass through to the shareholder recognized. I would ask the minister this question: In view of the fact that the situation in 1972 is not the situation of 1975—\$1 billion a year covered most of our capital requirements in the energy related industries three years ago, whereas today we need \$10 billion a year—is this Carter proposal dead entirely, or is the minister still willing to consider it for some future budget?

**Mr. Turner (Ottawa-Carleton):** Of course, Mr. Chairman, the gross-up of the dividend credit is a type of partial integration which is available to the shareholder even if the company is not in a tax position or because of deductions does not pay tax. We recognized some of the necessity for saving in this budget, as we did in earlier budgets. For example, there is the \$1,000 interest exemption, the \$1,000 dividend exemption that is taken on top of the gross-up. Then there is the registered home ownership savings plan which permits deduction of amounts up to a maximum of \$10,000 for each partner of the marriage or, if both are working, up to \$20,000 cumulatively. Then there is the capital cost allowance extension without a terminal date, the two-year write-off, and for manufacturers and processors the 40 per cent tax rate.

In other words, Mr. Chairman, over the past two or three years we have made some attempts to arrive at a reallocation that is acceptable. I do not argue with the thesis advanced by the hon. gentleman that in tax statutes we must weigh the balance of convenience against the balance of philosophical assumption as between incentives on one hand and equity to the taxpayer on the other. So incentive is only part of the application of a tax statute. But I do not quarrel with his general thesis, namely, that we must encourage and inject more savings into our economy if we are to respond to our capital requirements.

**Mr. Hamilton (Qu'Appelle-Moose Mountain):** I thank the minister because that is exactly what I have been