

The Budget—Mr. Argue

I believe I can prove that an extremely wealthy person who receives a tremendous income annually from investments in Canadian corporations pays income tax at a lower rate than is paid by the ordinary married man on income earned over \$2,000. Let us assume this person is a millionaire, that he has \$1 million invested in the shares of Canadian companies. Let us assume the dividend rate is 5 per cent. Therefore his annual income from his \$1 million by way of dividends is \$50,000. Let us assume that the capital appreciation of his investment is also 5 per cent and that his income, if he wishes to turn his capital appreciation into income, is increased by another \$50,000.

I suggest that over the years since the end of the war capital appreciation on most investments in corporations has been the order of the day. The income of \$50,000 from capital appreciation is tax free; there is no tax whatever. The amount of tax on the \$50,000 dividend income is \$20,720. To this must be added a surtax of 4 per cent on investment income over \$2,400, which brings the total tax to \$22,624. But this man has a tax credit of 20 per cent of his total dividend income, or \$10,000. Consequently he pays a tax of only \$12,624 or, in other words, a rate of tax under 13 per cent.

Let us also assume further that this man's investments are in Canadian mining companies. He then is given a further tax credit. If the companies in which he has his investments receive 75 per cent or more of their profits from mining he has an additional tax credit through the exemption of 20 per cent of his income. I will not go through the arithmetic, but in that case the total tax the millionaire will pay on an income of \$50,000 by way of capital appreciation and \$50,000 by way of dividends from investments in mining companies will amount to the small sum of \$8,974, or a rate of about 9 per cent. But the man who works, sweats and does the producing in the mines far below the surface of the earth pays on his first portion of taxable income, apart from the social security tax, a rate of 13 per cent after all deductions. That proves conclusively that this is a millionaire's budget.

One hears it suggested in this house that our corporations are faced with a heavy burden of federal taxes, and that this tax burden is a crushing load. I should like to refer to a statement made by Mr. H. DeWitt Smith, national president of the American institute of metallurgical engineers, as reported in the *Globe and Mail* of April 19, 1955. The statement reads in part as follows:

... Canada "offers inducements in its taxation policy on profits of mining companies and on dividends paid resident shareholders more liberal

[Mr. Argue.]

than any other great mineral producers in the world. Its new corporation income tax rate of 47 per cent on net taxable profits is reduced 33½ per cent in the case of metal mines and industrial metal deposits" . . .

He goes on to point out that new mines pay no tax at all in the first three and a half years of operation. He points out that allowances to Canadian residents on dividends and royalties paid by mineral properties may run as high as 20 per cent. He points out further that there is no capital gains tax in Canada. He concludes by saying:

It is hard to conceive how the Canadian government could be more helpful to the mining industry . . .

In other words, if you are a millionaire receiving large sums of money from investments, you pay a very small tax. But if you are a farmer, industrial worker, an ordinary Canadian, you pay a very high rate of tax on the income you have had to earn by manual labour. The C.C.F. believe that the government should get more of its revenue through a larger tax on corporations, a larger tax on unearned income, and should accordingly reduce its taxes on the ordinary people of this country.

All businesses are not faring so well as the mining industry under this budget. I refer to automobile dealers. I believe they are fully justified in asking that they be not penalized by the tax reduction on any new automobiles they may have had on hand when the budget was introduced. An answer given to me the other day, on the basis of a question placed on the order paper, suggests that dealers should not have to pay the tax in that the tax is collectable when the automobile is sold to the purchaser. I hope the government will clear this matter up, and will lift this great and unfair burden from our automobile dealers.

I have said that one of the main things the government should do as part of a program to get Canada out of the current deep recession is to adopt a far-reaching agricultural program. I believe the main and first clause in such a farmers' bill of rights must be full parity prices for the products of family farms of this nation. The C.C.F. believe that the farmers of Canada are entitled to parity prices. This is not a new program that we have adopted. We have passed resolutions at every national convention our party has held, advocating and supporting the concept of parity prices.

I want to point out to the members of this house that today the organized farmers of Canada are giving more and more support to parity prices. But I think I can prove that the C.C.F. is the only group in this house, and the only political party in Canada, that