

Income Tax Act (No. 2)

causal connection between this kind of tax reduction and job creation. Why not? The answer is simple. In our kind of economy, if you have a potential for expanding, selling goods and making a profit, you are going to move in that direction. You are going to expand in any case. If you are offered a chance by this government to reap greater profits, with no assurance that you are going to sell your goods, why would you expand sell or hire more employees just to have your goods pile up in storage and go unsold? You would not do that: it is palpably obvious that you would not do it. You would produce exactly the way you intended to produce, quite apart from the tax reduction, and reap the great benefit of tax gain provided by this measure. You would reap, in a year when profits in the corporate sector are at almost unprecedented levels, even higher profits. The argument in support of a corporate tax reduction—which has to be job creation—has not and cannot be made.

Any reason for supporting this measure is lacking. Any member of parliament who wants to consider the question of taxation, the fairness of the tax burden and the fact that 20 per cent of our population lives at or below the poverty line, a very large percentage of who pay taxes, must oppose this bill. If it cannot be justified in terms of job creation, it certainly cannot be justified in terms of sharing the tax burden among the various sectors of the Canadian economy.

I know I speak in vain when I urge the members of the Conservative Party to reconsider this bill and oppose the government. I know there is nothing better than this bill to reveal their corporate souls. If they are interested in having an election, nothing could be better in terms of squarely facing the issue of what kind of society we want to develop than the issue of the tax burden in this country. If they would support us on this and oppose the government, they would get a lot of support from the ordinary people of Canada, if not a high degree of exuberance on Bay Street in Toronto.

The government is abandoning the progressive methods it revealed within the first three months of this parliament by bringing in increases in pensions, reductions in taxes for lower income people and improved housing legislation. It is abandoning that initial, positive, progressive thrust by bringing in these corporate tax proposals. I hope it will not continue in this direction. Unless it continues to rely, literally and politically, on the people to my right for support, it will not continue in office with this type of legislation.

The Chairman: Order, please. Does this complete the discussion on the first block under clause 1, namely, pages 1 and 2 down to line 32 in the English version and line 38 in the French version?

Some hon. Members: Agreed.

The Chairman: The committee will proceed to block two which commences with subparagraph (2) at the bottom of page 2 and concludes at line 34 on page 3 of the English version and line 33 of the French version. I will call the carriage of the clause at the end of considering clause 1. If there are any amendments, we will deal with them in the order they are presented. I think that was the

[Mr. Broadbent.]

agreement. The committee will then proceed to block three, which commences with subparagraph (3) and continues to the bottom of page 4.

The discussion in committee is now on this particular block which was agreed to earlier in our proceedings.

● (1640)

Mr. Knowles (Winnipeg North Centre): Have you missed block two?

Mr. Lambert (Edmonton West): Mr. Chairman, I apologize; I was adjusting my own timetable in consequence of other changes which were being made. There is nothing very much to be said about block two.

Some hon. Members: Block two?

Mr. Lambert (Edmonton West): I had hoped we would get an explanation from the minister as to the precise proportions within block two, but I suppose the committee decided it would not be necessary.

In connection with the third portion of this bill under discussion, starting on line 34 on page 3, I want to repeat some of the things I said on second reading and to point out to hon. members as well as to the public generally that the measure is much more restricted in its application than certain people have been led to believe. It seems to me that everyone who belonged to the Chamber of Commerce or to the Canadian Manufacturers' Association thought they would be the recipients of the goodies dispensed by the government on May 8, 1972. During the whole of the election campaign the Minister of Finance was very careful not to disclose what would be the guidelines, or limitations imposed on this so-called 10 per cent cut in corporate tax for the manufacturing and processing industry. Everybody thought: Well, I am in the manufacturing or processing industry and therefore the taxes of my company will be decreased to 40 per cent. But that is not the case.

Let us see the purpose behind the provision in the budget of May 8, 1972. Hon. members may recall the press release of December 28, 1972, in which the minister outlined in communiqué form the income tax regulations as they applied to manufactured and processed products. After any manufacturer had read that, he would know that the Minister of Finance was not Santa Claus. Up until that time it appears the CMA executive and others had felt that the Minister of Finance was a generous Santa Claus. But on December 28 when he published his release they discovered that Santa Claus was not the hon. John Turner.

In any event, what was the purpose of the minister in introducing this provision? We know that in December of 1971 the United States had enacted tax legislation establishing DISC. It was to be used as a vehicle to obtain more favourable tax treatment of profits from the export of goods and services. It is estimated that the federal tax rate applicable to the export of goods and services will now be around 36 per cent, with a minimum level of about 25 per cent on profits which United States companies derive from exports.

Canadian authorities, Canadian business and, for some reason, many of the United States subsidiaries became very concerned about what was happening in the United