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I am delighted that the Minister of Finance is in the House tonight. I wish he had been here earlier when I spoke about what a bold and positive step he had taken this first time ever to consult the provinces in a very worthwhile effort to make the budget system much more meaningful and representative across this country. He was responsive to the thinking and to the advice of many people across the country. I think that kind of responsiveness is indicative of this government as we move along day by day, week by week and month by month. That story will be told because we on this side are going to make a point of telling it.

In conclusion, I would like again to say that the effort the official opposition and other opposition parties are undertaking at the present time is a very poor reflection on the hard working attitudes of most Canadians. I say honestly that as they re-examine their position over the coming months when, presumably, they will also be getting ready for an election—although one would never know it—they should consider coming to the people as a responsible group.

Members of opposition parties should not be saying that the country is in bad shape and that people should be putting them in power. They should not be telling people that the country is in horrible shape and that people should understand that, if they do not already. That kind of talk has never worked in the past, and it certainly will not work this time around.

**Mr. Cyril Symes (Sault Ste. Marie):** Mr. Speaker, tonight we have the opportunity to talk about taxation in Canada and about the general economic policies of the government. The bill before us is a result of the budget of the Minister of Finance (Mr. Chrétien) which was supposed to attack the economic crisis facing Canadians today of record unemployment, inflation, a falling dollar and so forth.

The major innovation in the budget was the temporary reduction of provincial sales taxes with the federal government making up the difference for the provinces. It was indeed a bold and new idea. Unfortunately, this measure has served to bring the whole problem of national unity into greater focus and to disrupt attempts to calm bad feelings between the provinces. Quebec seems very much opposed to this provision. It feels the provision is an intrusion on provincial jurisdiction. This has been discussed at length.

Tonight I want to deal with what I see happening to our income tax system both at the personal income tax level and at the corporate income tax level. I think it is important that we discuss the rather negative trends which I see developing and about which constituents from all walks of life constantly complain to me.

There is the old adage that there are two things in this world which are certain, death and taxes. We all realize that we will have to continue to pay taxes because we receive something in return by way of government services, whether they be old age pensions, medical care, unemployment insurance, airports, railways and so forth. We cannot get rid of them, but I think

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we can do something about seeing that the taxes we all pay are fair.

When we look at our tax system, budgets which have been introduced and tax laws which have been passed under this Trudeau government, two very important conclusions strike us in the face. First, the tax system is becoming more and more regressive. The burden of taxation is being shifted down the income ladder. Low and middle income earners are paying more in taxes, and high income earners are paying less. Second, the burden is being shifted from corporate taxation to taxation of individuals. We have all accepted—or I thought so—the idea of a progressive income tax system and the concept that people should pay taxes based on their ability to pay. People at lower income levels should not be burdened with heavy tax loads, but as people move up the income ladder they can afford to pay more taxes.

We do not levy the same amount of tax on every person regardless of his income. We graduate taxation on a progressive scale. That is the theory. That is what we assume is happening. But when we examine the situation, we find that the contrary is the case.

I would like to illustrate what I mean. Anyone who fills out an income tax form knows that there are various exemptions. There is the basic exemption, the child exemption, the marriage exemption and other exemptions. These exemptions reduce income subject to tax. However, unfortunately, according to the way the system works the value of exemptions increases with a taxpayer's tax rate. In other words, the maximum advantage goes to those at the top end of the income scale rather than to those at the middle and lower parts of the scale whom one would think a progressive income tax system should benefit.

For example, let us consider the value of an additional \$1,000 tax exemption. Let us assume that a taxpayer is married and has two children under 16 years of age to support. If that taxpayer's gross income is \$10,000, that \$1,000 exemption would have a tax saving value of \$266. Let us climb the income ladder and consider a person who earns \$25,000. For him that same exemption is worth \$300. Let us consider the taxpayer who earns \$50,000 a year. The value of his exemption jumps to \$510. In other words, the more a person earns, the more his tax exemptions are worth in dollars.

The same thing happens with exemptions for the aged, the blind and the disabled. All the deductions which can be taken are worth more to people with high incomes. For example, a person who earns \$30,000 a year has a tax saving of \$62 because of the Canada Pension Plan deduction, but a person who earns only \$9,000 a year saves only \$37 as a result of the CPP deduction.

If we are going to have a fair and progressive tax system, we should replace the whole idea of tax exemptions with the concept of tax credits. In other words, every taxpayer should be given the same tax credit in dollar terms and then we should either apply a surtax to people at higher income levels or provide a cut-off point at which a tax credit is not given to someone at a certain higher income level. The whole concept