

Income Tax Act

become law. The Province of Ontario has asked for a system of tax credits to replace the current system of exemptions and expenses. We in the opposition have also called for the introduction of tax credits. They would be of far greater assistance to the low income taxpayer than the increased exemptions the government proposes. Furthermore, if the government were willing to negotiate with the provinces on this issue, a way could be found to integrate these tax credits with provincial taxes. This would have the humane and rational effect of reducing the regressive nature of provincial taxes. Ideally, a low income taxpayer should be able to apply his unused tax credits to his property taxes, for example, and obtain a refund therefrom.

We are not asking that such a program be introduced immediately. All we are asking is that the federal government finally acknowledge that the individual taxpayer is a unity; he is not split up into three parts, each of which takes on a different economic personality depending upon which government he is dealing with. A willingness to delay this bill and negotiate with the provinces in the entire field of taxation would be such an acknowledgment.

I remarked earlier, Mr. Chairman, that provincial revenues are closely linked to federal tax policy. To ignore this fact is to be irresponsible. Yet the Minister of Finance has gone ahead and thrown the provinces into a quandary over the abolition of the estate taxes and left them with the worry of how to replace the revenues they had received through the abatement program. Since the provinces of Alberta and Saskatchewan have attempted to become tax havens for the wealthy by returning their portion of the abatement to the estate we can applaud the Minister of Finance for justly seeking to neutralize these attempts. The replacing of the estate tax with the uniform capital gains tax will effectively remove these anomalies in time.

The criticism we have to offer is levelled at the inimitable method which the Minister of Finance employs. If the tax reform bill is passed on January 1, 1972 we shall witness an even more unequal death tax jungle than now exists. This will come about, not because the minister lacked good intention, but because he lacked good common sense. At the present time only the three provinces of British Columbia, Ontario and Quebec have their own succession or estate tax laws. After January 1, 1972, these three will be the only provinces collecting death duties and, in order to avoid double taxation and prevent a flight of wealth from their jurisdictions, they will probably have to repeal their laws. In the meantime, the Province of Manitoba, for example, can become a tax haven for the wealthy of Ontario. I am sure our colleagues in opposition, the members of the NDP, will assure us that the province of Manitoba has no desire to become a tax haven for the wealthy.

In addition to these anomalies which will follow in the wake of the Finance Minister's stroll through the jungle of estate tax reform, the provinces are to be handed the burden of finding revenues to replace their losses over the five years while the capital gains tax matures. Manitoba's finance minister has estimated that his province will lose up to \$50 million in revenue during this period. This may

[Mr. Noble.]

seem like peanuts to the federal government, which is frequently inclined to spend such sums of money in trivial ways, but it will represent a serious blow to Manitobans who are already so heavily taxed. Again, it is not good enough for the government to wash their hands of the consequences of their own legislation. It is not good enough to simply say that the provinces will have to do the best they can and face up to their own freedom to be responsible for their own taxing and spending. Tying another knot in the financial straitjacket the provinces are in and calling it freedom is the ultimate in irresponsibility.

(4:50 p.m.)

Since the government has for the past two years so loudly and repetitiously proclaimed itself to be on the side of equity, it is incredible to find in this bill so blatant a discrimination against the taxpayers of the three provinces of British Columbia, Alberta and Ontario. I am referring here to the proposal in the bill to include and tax as income those contributions made by an employer on behalf of his employees to a public medical care plan. The taxpayers of those provinces will now be penalized for living where they do, while the taxpayers of other provinces will escape extra taxation because their medicare expenses come out of general revenue. Even more unfairly, while the taxpayer must claim his employer's contributions as income, he will not be allowed to deduct his own contributions as expenses. So the government is going to cut the deck both ways.

To try and imagine the decision making process behind this proposal is mind-boggling. The government may try and defend the proposal by arguing that these wealthy provinces can well afford to pay the extra taxes which they claim will net an additional return of \$90 million, \$58 million of which will come from Ontario alone. Yet the most elementary common sense will tell you that a person earning \$5,000 in Ontario is no wealthier than a person earning \$5,000 in Quebec. And if there are people earning \$10,000 in Alberta, they are individually no better off than the fewer individuals in that wage bracket in Saskatchewan.

But even the present government cannot be so slow-witted as not to appreciate that. It is possible that they have taken a philosophic position on the issue of medicare premiums and hope to force those provinces to abandon them. In the strange reasoning behind such an attitude, the taxpayer would not direct his annoyance at the federal government for artificially raising his income, but would direct it at the provincial government that has a system of premiums. Well, only an election can bear out such a proposition. It is interesting to note, incidentally, that if the government are opposed to the imposition of premiums on philosophic grounds, they did not allow their principles to interfere with the active assistance given by the finance minister's parliamentary secretary to the Social Credit League of Alberta in the past provincial election—one of the political parties and governments which has introduced a system of medicare premiums.

Regardless of what one's feelings are on the issue of medicare premiums, it is unwise and unfair to reduce the serious problem of tax reform to the level of political gamemanship with the provinces. And this is precisely