

Income Tax Act

It is unfortunate that no change was made to the sales tax imposed on building materials. That sales tax constitutes a heavy burden for a man with a small income who is trying to provide a house for himself and his family. Every encouragement should be given to that person to build a house of his own, but the government has taken the opposite view and has refused to remove the sales tax on building materials.

I am quite confident that three sections in the proposed bill will cause the government a great deal of difficulty, namely, sections 135, 136 and 137 which, if you examine them carefully, practically ring the death knell for co-operatives and credit unions in Canada today. The provision in the bill for taxation on employed capital will severely interfere with the freedom and the ability of co-operatives to distribute their earnings as patronage refunds. A co-operative is a business owned by its members, and in most co-operatives the members receive a share of the savings which have accumulated over the years. That is a very worth-while project. The proposed bill—and this is the unfortunate part of it—requires the co-operatives to pay tax on an amount equal to 5 per cent of the members' capital employed, and the co-operatives will therefore have to limit the return of savings to members in order to avoid reducing their taxable income below this amount. I understand that in Canada today there are approximately 3,000 co-operatives with a membership close to two million. This proposed change will have a very serious effect on businesses and on the two million Canadians who belong to co-operatives.

These co-operatives are user-owned. For example, agricultural co-operatives are owned by the farmers, fishermen's co-operatives are owned by the fishermen and housing co-operatives are owned by those people who build their own houses. The same applies to credit unions. Co-operatives and credit unions have actually encouraged thousands of people in the ways of thrift and saving. They are operated for service in most cases and not for profit, and nothing must be done by this or any other government to kill or even cripple that very worth-while movement.

The same thing applies to credit unions. Credit unions have been content over the years to remain small, community type organizations. They make virtually non-profit loans to their members. Under the present law their assets are taxed only when they are distributed among the members, but under the new proposal in the bill before us this tax exemption status will be taken away and members of the credit unions will be pushed into establishing a full-fledged banking operation. I say that that is most unfortunate because these businesses are not now operated for profit but for the benefit of their members.

I realize that a government must have money to run the affairs of the country, but I suggest very seriously that if this government practised a little economy in certain aspects of its operations it could very well carry on without any increased taxation proposed in the present bill. I was amazed to learn, from information put out not so long ago by the Department of Supply and Services, of examples of what appears to me to be a tremendous waste of taxpayers' money. I want to put just a few of those on the record. A contract was granted not so long ago to the Mallory Battery Company Limited in the amount of

\$39,025 for batteries for hearing aids. I suggest that \$39,000 buys a great number of hearing aid batteries, and I hope that the Prime Minister (Mr. Trudeau) and the members of his government will tune up their own hearing aids so that they will be able to hear the cries of the 500,000 people who are unemployed today and so that they will hear the cries of the potato producers of this country who are faced with a disastrous year by reason of the imposition of the recent U.S. surtax. I hope they will hear the cries of the Atlantic provinces where the per capita income of our people is far below the national average.

Again, a contract in the amount of \$61,813 was granted to the Dominion Magnesium Company for tent poles.

Mr. Mahoney: Mr. Speaker, I rise on a point of order. The amendment by the hon. member for Edmonton West (Mr. Lambert) was disposed of yesterday, and we are now on the motion for second reading and reference of the tax bill to committee of the whole. Under the circumstances, I wonder if it would not be in order to direct remarks to the tax bill rather than to the general state of the economy.

• (12:40 p.m.)

The Acting Speaker (Mr. Laniel): Order, please. The point raised by the hon. parliamentary secretary is well taken, although the Chair is not in a position to judge the last part of the speech made by the hon. member who had the floor because the Chair did not hear it. But I may take this opportunity to invite hon. members to follow the rule of relevancy as much as possible. When Mr. Speaker accepted the amendment proposed by the hon. member for Edmonton West (Mr. Lambert) it was understood then that it would enlarge the scope of the debate at that time. I would, therefore, invite hon. members to limit their remarks to the bill, and not deal with the whole problem of the economy of the country.

Mr. McQuaid: Thank you, Mr. Speaker. I suggest that my remarks are relevant because we are dealing with government tax proposals, and I am suggesting how money can be saved. I contend that our scope now, since the amendment has been disposed of, is much wider than when we were discussing the amendment. I know these figures are not too appetizing to the government, but I think they should be placed on the record.

There is a reference here to an amount of \$61,813 to Dominion Magnesium for tent poles. I suppose the government expects to be driven into the woods by the next election and wants to have its tents put up now, but it seems to me that this is a lot of money for tent poles.

Then, there is a contract in the amount of \$21,151 to the Dixon Pencil Company for correcting fluid. That is enough correcting fluid to fill the swimming pool at the YMCA. And there is another amount of \$12,000 for rubber erasers. I know it will take a lot of correcting fluid and rubber erasers to wipe out all the mistakes that the government has made.

Then, there is a contract to Safety Distributor Products in the amount of \$52,970 for sun glasses. I suggest that members of the government had better take off their dark glasses so they can see the problems and the plight of the Canadian taxpayers.