

*Income Tax Act*

incentive, which seems to me to be quite out of order. This surely is not the intention, to give these people a tax incentive because they raise prices.

Second, this provided an incentive for taxpayers to arrange to have high sales in one period, if they could, and low sales in another, or otherwise manipulate their sales.

Third, it was so complicated in the way it had to be worked out that many taxpayers said it was not worth their trouble to try and qualify.

Fourth, the value of the incentive was very low. For example, the illustration used in the 1962 income tax bill showed a company with sales of \$1 million, which increased its sales by 10 per cent, and it would receive a tax concession of \$1,230. But the main criticism is that this concession, being based on the dollar value of sales, would give a bonus to companies who increased prices for one reason or another, and which, if you like, made windfall profits because of the devaluation of the dollar; and I cannot believe it was intended to give people a bonus for that sort of thing. Actually the incentive was proposed in the April, 1962 budget, at a time when devaluation was not contemplated.

**Mr. Lambert:** It may be that the minister has set up the bogies, but regardless of that I would put it to him that the ultimate test of competitiveness is in your sales price. It is true that in certain limited competition industries, such as the sugar industry, there may be possibilities of windfall profits; but even using the dollar value as the criterion, if they are going into the export market with the devalued dollar, surely to goodness because the devaluation provided an additional incentive for income and increased sales of a dollar value for exports, why should that be a criterion to throw out section 40A. This was cited by the minister as one of the reasons, but on the basis of short experience I would have thought he would have been prepared to give this incentive at least one or two more years trial.

This is shutting the door on one of various means of expanding the Canadian economy. This is in complete antithesis to those things which the minister has been preaching to us. The parliamentary secretary whispers to me that it was just no good.

**Mr. Benson:** That is right.

**Mr. Lambert:** On what basis? On what period is he able to judge? He has not had the experience with respect to operations based on tax reports. I would have thought it would have been better, and I would have been prepared to accept the minister's evaluation of all this, if he had said that on three

[Mr. Gordon.]

years' experience this incentive was not deemed to be a successful method. There is no one method that is going to be the cure-all. I am sure the minister will agree with that.

Here was a method which no one claimed to be an absolute cure-all. Perhaps it was limited, but why kill it? I suggest this action is premature, and that there was insufficient evidence that this was not a proper method by which we could encourage economic growth. In other words the minister is subscribing to the philosophy that unless you have a 100 per cent painkiller, then you had better get it off the market. Even if only 25 per cent of business could take advantage of the incentive, why kill it?

**Mr. Olson:** The minister has answered the question I intended to raise on this clause; but the hon. member for Edmonton West is now suggesting it is a little too early to kill it. Therefore I would like to quote a short piece from some communications I have received respecting this particular clause, so that it may add some evidence to the reason for the repealing of the section:

Section 40A was enacted in 1962. It was intended to give a tax incentive where a manufacturing and processing corporation had increased its sales above a level determined in accordance with another complicated formula.

Section 40A has been—

**Mr. Lambert:** On a point of order, Mr. Chairman, the hon. member is quoting from a document. Would he please identify it and, if need be, would he table it so that we may know he is not picking something out of the air?

**Mr. Olson:** I take full responsibility for this quotation from a communication that was sent to me.

**Mr. Lambert:** By whom?

**Mr. Olson:** Whether I choose to table or give the rest of it to the house should be my privilege.

**Mr. Lambert:** Oh, no.

**Mr. Olson:** May I go on?

**Mr. Pickersgill:** If the hon. member takes full responsibility.

**Mr. Olson:** It says:

Section 40A has been a dismal failure. All that section 40A ever did was encourage corporations to raise prices.

A corporation could qualify for the tax benefit merely by raising the level of its sales by an increase in prices.

It goes on to say:

Here was a built-in inflationary device.