

Income Tax

remission order was to be phased out over a period of years and was to be replaced by a complex, accountant's nightmare, containing such things as the repugnant principle of imputed rent. There was no way that the man on the street could understand what was about to hit him. Furthermore, tax accountants or tax lawyers could not compute the effect of this because regulations did not exist. All that existed was a press release from the Minister of Finance. This kind of thing is happening frequently, Mr. Speaker; we are getting Government by press release, not Government by regulation. Apparently the new system is to be implemented by a series of remission orders, not by changes to the Income Tax Act or its regulations, and so the uncertainty will continue.

The effect of the proposed system will be to drive people out of Northern Canada, including indigenous Northerners. I know a lot of people who have gone already because they can get a better deal in Southern Canada, when taxation is taken into consideration, than they can in their own area.

This move reduces industry and reduces development in the North. It puts marginal operations out of business. At Pine Point, which is suffering from low lead and zinc prices, three or four hundred people have already been laid off. If this tax threat is implemented, and I presume it will be unless there is a change of heart on the part of the Minister, it will result in another \$2 or \$3 million burden on the mine or on its employees. That could very well mean that the mine will never get back into production.

This measure will increase the cost of Government in the North. More people work in Government there than in anything else. It will encourage fly-in, fly-out operations. If an industry employs people who live in Edmonton and flies them in, the cost is not considered taxable; they are just going backwards and forwards to work, although the distance may be 1,000 or 1,500 miles. If people are located in the North, however, and taken out to Edmonton a few times a year for a holiday, the cost is taxable.

Not too long ago I was speaking to the chief executive officer of Echo Bay Mines. He told me that if this system is put in place, 50 people who would have been located in Yellowknife would now be located in Edmonton. About half of them would be professional and managerial people, so this provision is taking the brains out of the North and putting them in the South. Perhaps that is what the Government wants. It does not want tax revenues generated in the North to be used there as that would give rise to self-sufficiency. It would rather keep northerners dependent. It does not want people to make the North their home but wants to keep the Ottawa bureaucratic control over that part of the country.

I should like to suggest what I—and some people of all political persuasions—consider to be the real solution, Mr. Speaker. Even the few remaining Liberals in the Northwest Territories have come to the same conclusion and I am sorry that their advice has been disregarded by the Government.

Any change must be permanent and it must be made to the Income Tax Act. We cannot live from year to year with remission orders. The change must be simple and easily understood, not like the complex, five-page remission orders

that would be the result of the proposal made by the Minister of Finance. All that is required is one or two additional lines on the income tax form. People living in Northern Canada must be granted an additional deduction against income for the purpose of computing tax or they could be given a tax credit. I will not argue which is better as there are points on each side. A combination of these methods could even be used. It is far and away the simplest system and the one that makes the most sense.

The Hon. Member for Prince George-Peace River (Mr. Oberle) went into the problem in detail and produced a report. I would commend that report to Hon. Members who are interested in the subject of Northern taxation. He points out that in countries such as Denmark, Russia and Australia—which in a way are similar to Canada as most of the population lives in heavily populated areas, and then there is a sparsely populated hinterland—regardless of the respective ideologies of each country, each has adopted the same approach and there is a special taxation system for remote areas.

I believe Australia is divided into three tax zones. Perhaps 90 per cent of the population lives in the first tax zone and pays tax under the normal system. Then, depending on the remoteness and the cost of living in an area, the tax system is slightly different. I believe they use tax credits. If we were to amend the Income Tax Act in this way, we would be able to phase out the special rules that govern special allowances.

In my opinion, Government revenues would increase over a period of time if we used a sensible system of taxation. People would be encouraged to live and to remain in the North, and surely we want that.

I will not go through the few concluding remarks that I had prepared, Mr. Speaker. It was a pleasure for me to be able to speak on this most important topic today.

Mr. Deputy Speaker: Order, please. The rules of the House provide for a period of ten minutes for questions and answers. Are there Hon. Members rising to put questions to the Hon. Member who just spoke? If not, the Chair will recognize the Hon. Member for Ottawa Centre (Mr. Evans).

Mr. John Evans (Ottawa Centre): Mr. Speaker, I was very interested in the remarks of the Hon. Member for Western Arctic (Mr. Nickerson) on Bill C-139. One aspect interested me particularly, and that is the special problems of Northern residents as they relate to income tax, the extra cost burdens incurred by people in the North, and his plea for special tax treatment.

I was interested in his account of the kinds of special tax treatment provided in other countries such as Denmark, the Soviet Union and Australia and in the concept of tax zones. If he could provide additional information on the nature of those tax zones and some kind of solution to the difficulty we find ourselves in, I would be interested in that. Perhaps we should use the tax system in certain ways to subsidize or offset the high cost of living in various parts of the country. The concept