

*Income Tax Act*

**Mr. McCleave:** I understood your Honour to say you were accepting the amendment and were going to put it.

**The Deputy Chairman:** If the hon. member wants to discuss the procedural acceptability I will not put the amendment. Otherwise I will put the amendment and give the floor to the hon. member.

It has been moved:

That clause 3 of bill C-275 be amended by changing the figure "1½ per cent" in line 16 to "20 per cent", and also by changing the period at the end of line 18 to a comma and adding immediately thereafter the following words: "or \$40, whichever is the lesser".

The hon. member for Halifax-East Hants.

• (4:20 p.m.)

**Mr. McCleave:** Mr. Chairman, I am sorry, I think the hon. member who proposed the amendment should probably be allowed to speak on it first. I did rather jump the gun but I would yield to him.

**Mr. Broadbent:** Go ahead.

**Mr. McCleave:** The hon. member invites me to go ahead. As I indicated yesterday in my remarks on second reading, we thought that there was merit in providing a greater reduction in the personal income tax because this money, especially in the hands of the lower income groups, would find its way back into the economy very quickly. I also indicated that about 37 per cent of the gross revenues of the government were obtained from the taxes imposed upon the individual taxpayer in Canada. I think there would have been room for a greater measure of tax relief than that proposed by the minister in his third budget of 1971, presented to us on October 14, but the effect of this amendment would be really spread over a full year and would be a reduction of the personal income tax rate by something in the order of 40 per cent rather than 20 per cent, since the 20 per cent only refers to the half year period.

**An hon. Member:** No.

**Mr. Lambert (Edmonton West):** You have it reversed.

**Mr. McCleave:** This is my mathematical interpretation of it, and I am sure there are mathematical geniuses in the other party who would be able to correct me if I am wrong. I do not think I am, because 1½ per cent is one half of the 3 per cent mentioned by the Minister of Finance in the budget. Perforce, the 20 per cent must be a half of 40 per cent. I say that this verges on the border of financial irresponsibility, and therefore we must reject it and do.

**Mr. Knowles (Winnipeg North Centre):** Mr. Chairman, I rise to support the amendment put forward by the hon. member for Oshawa-Whitby and I urge the House to accept it. But before I get into my brief submission I might endeavour to correct the hon. member for Halifax-East Hants. If I understood him correctly he thought that 20 per cent for six months would be the equivalent of 40 per cent for the full year. Let me point out to him that this amendment calls for 20 per cent for the full year, which would be the equivalent of 40 per cent for six months, just as the minister has told us that he is giving a reduction of 1½ per cent for the full year which works out at 3 per cent for six months.

[The Deputy Chairman.]

My hon. friend says that the amount involved in this is too much for his party to support. I have to say that I have not personally done the arithmetic involved in this since we all have research people around here to do that for us. Those who have done the arithmetic for us tell us that with the \$40 ceiling that is in this proposition the total amount rebated to individual taxpayers will be roughly equal to what would have been rebated with the 1½ per cent rate for the year and no limit on the amount that an individual taxpayer can get.

I point out that it is also our intention to vote against the next clause which gives a 7 per cent reduction to corporations. Our point is that what really counts is justice and equity in any tax system, and even though it may seem tedious to our friends opposite to have to listen to us say this time and time again, apparently it is necessary to do so. No matter how much fairness there might be in a tax system—and we contend that there is not a great deal of it in today's tax system—whenever you make reductions on a flat percentage basis of across the board, you give a few cents or a few dollars to those in the lower income brackets, and you give hundreds and thousands of dollars to those in the upper brackets.

We think this is grossly unfair and that it should not be perpetrated again as it is in the clause that is now before us. I am glad that the Secretary of State for External Affairs is in the chamber, even if he is involved in a conversation with someone else, because when he was minister of finance he brought in a tax reduction measure. I think the amount of reduction was 20 per cent of the basic tax. But he attached to it a \$20 maximum and he was able to stand in his place, to face us and to say: "This is what you people over there want". As a matter of fact, that provision has been in effect for several years since 1966.

The point I am making is that it is not completely foreign to a person such as the present Secretary of State for External Affairs to suggest that when you give a tax reduction on top of a basic tax system the fair thing to do is to provide a maximum so that those in the lower brackets get a decent break and those in the upper brackets do not get a bonanza.

What we are asking in this amendment is that the percentage rates be increased substantially from 1½ per cent to 20 per cent, or from 3 per cent to 40 per cent, whether you are talking about six months or a year. We say that the rate should be increased substantially for those in the lower brackets but that a ceiling should be established beyond which no greater reduction is payable.

The calculations that have been made in connection with this suggest that this would mean that all those with incomes up to around about \$12,000 a year would get the full amount of the 20 per cent increase proposed in the amendment, but those in the higher brackets, depending on their status, the number of dependants and so on, would get no more than the \$40 suggested in the amendment. We feel very strongly that this is a fair approach. My colleague, the hon. member for Oshawa-Whitby, demonstrated yesterday the complete unfairness of the present proposal by putting on the record the fact that some people would get only \$1.09, as opposed to the hundreds and thousands of dollars that others would get. I submit that if the government wants to make any pretense