

*Income Tax Act*

in maybe \$150 at the most. Can you imagine that the federal sales tax was increased by 3 per cent over three successive Budgets, 1 per cent every year, and we have not had the 1987 Estimates, Madam Speaker, we are still waiting for it. I can see what the Hon. Minister of Finance is up to, you can tell beforehand exactly what he is going to do. He is going to rationalize the federal sales tax. Is that not a fantastic deal, Madam Speaker? We all know that this rationalization is just a smooth way of saying that the federal sales tax on manufactured goods is going to go down, but it is going to be extended to all goods and services.

**Mr. Vincent:** You are using scare tactics again.

**Mr. Garneau:** Madam Speaker, I sometimes wonder if we should be more afraid of the Government when it tells us frankly what it is thinking or when it does not, because we were clearly told that there would be no tax increase, and taxes have increased by \$6 million in two years. This time, we are told that there will be a business transfer tax or *taxe de transaction* as we call it in French. We are told that this will replace the federal sales tax. The Minister of Finance has said this three times already outside the House. Yet, the Parliamentary Secretary says that we are trying to scare people. We are simple repeating what he has told us, but he says that we are using scare tactics.

**Mr. Rossi:** That is why he was not appointed to Cabinet.

**Mr. Garneau:** We have good reason to be worried because, after increasing the federal sales tax by 3 per cent to bring it up to 12 per cent, the Government now says that the tax will be extended to all goods and services, but that the rate will be somewhat lower. I understand that some 80 per cent of the federal sales tax is paid by about 10 per cent of all businesses, or at least this is what we were told in previous studies, and the tax will now be extended to everyone. If the comments of the Minister of Finance are accurate, this means that we shall have to pay this tax indirectly, if not directly, when we have a haircut or get a sales agreement notarized. Even Senators may have to pay the tax when they get their hair cut.

**Mr. Gauthier:** Listen to that, Roch!

**Mr. Garneau:** The Hon. Member for Joliette (Mr. La Salle) should be very interested. He may have to pay the tax when he goes for a haircut.

**Mr. La Salle:** There is just one way to avoid it—

**Mr. Garneau:** There is just one way and that is not to be appointed Senator. But he will still pay. Everyone will pay. What is discouraging is to see that, after making so many promises, the Government is underhandedly imposing new taxes.

I said earlier that Bill C-23 provided for a 3 per cent permanent surtax to be added to the 5 and 10 per cent surtax which were announced previously. We are getting a minimum tax, but there also, the Government has let us down. The Government is boasting about its new minimum tax.

Madam Speaker, to be sure that this minimum tax will have as little effect as possible, the Government has added two

provisions of which it had never talked before. When this tax was first announced, it was supposed to apply to the bad rich people who were using tax exemptions to avoid paying any taxes. We were told that this would generate something over \$300 million. However, between the time when this was announced and the time when this Bill was introduced, there have been two major changes. The first concerns dividends. When you have \$100 in dividends, you add 150, and you then have a credit. This provision has been changed to bring it down to 33 1/3. The second change concerns the seven-year averaging provision. This means that, if you are caught having to pay the minimum tax for one tax year, you have seven years to recover the cost. Imagine, seven years!

First of all, it is going to be a nightmare to follow for seven years your income tax returns, because you will have to file a regular income tax return and another complicated form with lots of operations to determine whether or not you will be required to pay the minimum tax. You will have to keep records for seven years. Only the most stupid taxpayers will have to pay the minimum tax. During a meeting of one of the committees of this House I read a quote from a chartered accountant in a large Canadian company who was saying that the only good news about this minimum tax is that, given the number of loopholes added to it, nobody will have to pay it. However, the Government is going to boast about the minimum tax.

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When you look at what are called the *Budget Papers*, on page 51, you can see that the changes to the tax treatment of dividends mean that in 1986 there will be a decrease in tax revenues amounting to \$150 million. It took me a long time to realize why, in 1986, taxpayers would be paying \$150 million less in taxes, and then \$250 million in 1987, \$300 million in 1988 and \$365 million in 1990. Do you know what it means? It means that the changes to the tax treatment of dividends, as far as the minimum tax is concerned, will reduce the Government revenues forecasted by the Minister of Finance (Mr. Wilson) by \$300 million. So, what is left in this minimum tax? This is just a lot of window dressing that is supposed to fool people into believing that now everyone will have to pay taxes, while that is not necessarily the case.

Madam Speaker, there is some good news in this Bill, however. The advantages granted by Orders in Council to people living and working in the North have been given more permanent status. I may recall that, previously, the Liberal Government had been granting these tax rebates by tabling the Orders in Council necessary to implement such decisions.

Today, these advantages are included in the legislation, and that is good news. There are a few technical changes that may be necessary when we look at the Bill clause by clause, but this is probably the best news so far. It is good news because a measure that previously existed on a discretionary basis will now be made permanent.