

*Income Tax Act*

cooperatives, in its way of evaluating the capital invested in our co-operatives.

About the brief I mentioned earlier, when we discussed with the representatives of co-operatives we compared co-operatives, closely-held and widely-held corporations. Here is what was said:

In a comparison of a closely-held versus a widely-held designation, a co-operative must of necessity be treated, by the very definition, as a closely-held corporation. However, the treatment of a co-operative as a corporation of any designation would certainly not result in an equitable treatment. The necessity for the recognition of the special form of co-operative distribution was accepted by the "McDougall Royal Commission" of 1945, the "Carter Royal Commission" of 1966 and again by the White Paper proposals.

Some of the reasons dictating this recognition of a separate treatment are as follows:

The capital nature of a co-operative is essentially different from that of a corporation. Whether the investment of the co-operative member is in the form of a loan or is in shares the member capital contribution is more like a deposit than a capital contribution in a corporation. The capital structure of a co-operative is a "fluid" type of structure subject to constant fluctuations whereas the capital of a corporation tends to have a "locked-in" aspect keeping it available for the purposes of the company.

This difference in capital structure must be provided for in any system of taxation which is to be applied to co-operatives.

To treat a co-operative as a corporation for tax purposes ignores the nature and ownership of co-operatives distribution and the claim which the patron owners have to the surplus earnings.

Any treatment of a co-operative as a corporation for tax purposes would create the problem of numerous T-5 returns for small amounts (and the necessity of devising a formula for passing on creditable tax with patronage refunds). Because many of the recipients of co-operative distributions will not be taxable many claims for refunds will result from the election of this method of taxation.

I think that Bill C-259 considers treating co-operatives on the same footing as closely-held corporations. Therefore, I believe that this would not be fair at all for members of co-operatives.

I would also like to draw the attention of the House to an editorial written by Mr. Jean-Paul Légaré in the August 27, 1971 issue of *Ensemble*, and I quote:

Mr. Benson's 1969 white paper on tax reform took no account of the particularities of co-operatives and savings and credit unions.

Bill C-259, introduced for first reading in the House of Commons in June 1971 and advocating a new taxation policy takes no account either of co-operative institutions' particularities.

When we consider the fact that the Canadian co-operative movement clearly established its position through briefs presented to the legislator in 1970, we arrive at one of two conclusions: either the federal government deliberately ignores the principles that guide the co-operatives, or it proves clearly its intention of evening out the taxes of companies in Canada.

As the prime concern of the state should be the application of a tax system that is fair to all companies under its jurisdiction, we fail to understand the attitude of the federal government which persists in its inequity towards co-operatives, savings and credit unions. Indeed, as provided for in Bill C-259, tax proposals continue to place co-operatives in an unfair situation compared with companies and other corporations.

Should Bill C-259 be adopted, it would interfere with the normal expansion of co-operatives. Not only would the federal government thus provoke a deplorable state of affairs, but it would deprive itself, in the future, of sources of revenue it seeks through taxation.

[Mr. Beaudoin.]

Co-operatives and credit and savings unions have repeatedly stated that they were not asking for any preferential treatment with regard to taxation . . .

The federal government is apparently giving way to the pressures brought to bear by Canadian corporations, judging by the provisions of Bill C-259 with regard to co-operatives. That is exactly where the government is in error and consequently places the co-operatives themselves in an unfavourable position.

The Canadian co-operative movement is united against Bill C-259, as it was against Mr. Benson's white paper. Its views were set out in two briefs presented to the Minister of Finance in July 1971 and reproduced on pages 14 and 15.

The co-operative movement invokes reasons of justice which must be the first concern of a government that advocates "a just society". We feel sure that the federal government cannot in all decency ignore the appeal of 4 million co-operative members.

. . . whom we represent.

Mr. Speaker, with my colleagues' co-operation, I merely wanted to draw to the attention of the House the views of the Quebec co-operatives, particularly with regard to determining the amount of capital invested in such co-operatives. My colleagues have pointed out, or will shortly do so, numerous other defects of this bill. Such are, Mr. Speaker, the points I wanted to mention.

• (4:00 p.m.)

[English]

**Mr. Colin D. Gibson (Hamilton-Wentworth):** Mr. Speaker, I am sure the House is grateful for the compliments paid by the Leader of the Opposition (Mr. Stanfield) to the Opportunities for Youth plan. That shows belated support for the plan and it is encouraging. I believe it is the hon. gentleman's first public pronouncement in support of this great social measure which was such a success this summer. It really was encouraging to note that, in his speech, the Leader of the Opposition was able to say something constructive and new in his approach to government operations.

**Mr. Knowles (Winnipeg North Centre):** It is the hon. member's turn now.

**Mr. Gibson:** Yes, it is. At this stage I wish to refer to something else that the Leader of the Opposition said. He put this proposition to the House: what proposals has the government put forward to deal with the present problems of the Canadian economy? I submit that, among many other proposals, the government intends that 750,000 Canadians shall be removed from the income tax rolls in order that they need not pay income tax. Also, it has proposed very substantial tax amendments in order to alleviate the burden of poor people faced with pressing problems. Replying to the Leader of the Opposition may I say, after analysing his speech, that it is obvious that the tax reform bill was a victory for the government, the people, and the cause of participatory democracy. It is also apparent that the opposition, as usual, had very little to contribute to the debate on tax reform except vague and hackneyed generalities. We have heard the arguments which the Leader of the Opposition presented in his speech this afternoon in previous debates at different times. There was little new in them. I was disappointed that he could not come up with something more specific than the generalities about unemployment and the economy that he raised.