

Income Tax Act

ever, we all know that for years the provinces have been entitled to a certain share of the revenue. The federal government has no business telling the provinces that they must change their acts to conform with the federal act. The provinces were not consulted with regard to the changes in the corporation tax, yet they have an equal right to impose that tax. The hon. member can make a speech. I would love to hear him make a speech defending the stand of the government on this form of taxation.

The Chairman: Order, please. I regret to interrupt the hon. member. I must do so to advise him and the committee that his time has expired.

Some hon. Members: Carry on.

The Chairman: Is there unanimous consent that the hon. member for Edmonton West continue?

Some hon. Members: Agreed.

Mr. Lambert (Edmonton West): I prefer to yield to the hon. member for York South whom I know has a pressing engagement. I can come back to this debate. I will yield to the hon. member. Perhaps, too, there will be contributions from the hon. member for Hamilton-Wentworth and other members over there who seem to be pretty vocal.

• (3:20 p.m.)

The Chairman: Before I see the hon. member for York South, perhaps I might refer to the point of order which was raised earlier by the hon. member for Edmonton West with respect to the sections included in this group. It seems that sections 85 and 127 are the only ones which the Chair did not read—

Mr. Lambert (Edmonton West): Not 127. I did not say 127. Section 127 concerns the logging tax deduction and is not related to this at all.

The Chairman: Then, it appears that section 85 is the only one which is not in the group as read. Perhaps by consent we could include section 85 in this group. Is that agreed?

Some hon. Members: Agreed.

Mr. Lewis: I am sorry I could not help with the numbers of the sections, Mr. Chairman. My hon. friend from Winnipeg North Centre is away this afternoon, an event which should be marked, and he has the list.

I shall be very brief. I shall not follow the approach taken by the hon. member for Edmonton West. I rise to make two or three short points as strongly as I can. There are proposals in the sections now before the committee to which my hon. friends and I take strong exception. We object to the increases in the dividend tax credit from 20 per cent to 33 1/3 per cent.

An hon. Member: Even though it is grossed up?

Mr. Lewis: Even though it is grossed up. I notice that in the booklet originally distributed by the department, the booklet entitled "Summary of 1971 Tax Reform Legislation", among the examples chosen in connection with this subject is the case of a person whose marginal tax rate is 25 per cent. Then, there are cases of persons whose mar-

[Mr. Lambert (Edmonton West).]

ginal tax rate is 40 per cent and 60 per cent respectively. An attempt is made to show, and it is shown, that the person whose marginal tax rate is 25 per cent would gain from this particular change in the dividend tax credit.

Mr. Francis: It is true.

Mr. Lewis: Of course, it is true. But it is not relevant. Let me say to the Minister of Finance and to the hon. gentlemen opposite who support this provision that this is the kind of red herring which may fool the hon. member for Ottawa West, but which does not fool me. I should like to know how many Canadians having a marginal tax rate of only 25 per cent own any shares in corporations which are worth more than a goldarn. Of course, they may own the occasional share or two receiving, maybe, a dollar and a few cents on each and amounting to a total dividend of \$6 or \$7 each year. But this example to which I have referred is merely an attempt to mislead.

Mr. Francis: I should like to ask the hon. member whether, in working out the arithmetic, he believes the new proposal is more favourable to those in the higher brackets, or less favourable.

Mr. Lewis: I will tell the hon. member for Ottawa West that I do not know the exact answer.

Mr. Francis: It is less, and you know it.

Mr. Lewis: I have not worked out the details and I wish the hon. member would stop jumping out of his seat. All I can tell him is that I am not impressed by an example which tries to tell me that a fellow whose marginal tax rate is 25 per cent has an interest in these comparisons at all. The point is that here is another concession to those who derive their income from dividends to the point at which it is important. To compare this with dividends derived by a man who may have a few dollars a year from that source is to talk irrelevant nonsense. Furthermore, anyone who understands the Canadian economy knows that as far as the volume of investment is concerned—not the number of investors, but the volume of investment—the most important role is played by corporate investors. The largest amount of investment in a corporation, if it is of any importance, is held by other corporations.

So all this exercise, as far as helping individuals is concerned, seems to me to be totally unacceptable and the mere change in the tax credit is objectionable to us. Similarly we object to the proposals to reduce corporate income tax over a period of time to 46 per cent from its present level. We object to the whole concept. We object to the double standard which is shown throughout this legislation, and I have called attention to only one example of it.

The whole of the tax legislation we are now discussing makes us unhappy because we take exception to the double standard which is employed, the different treatment accorded to those who are making their money out of capital gains, which are to be taxed only to the extent of 50 per cent, or through special concessions to mining or oil corporations, or through dividends, and so on, as compared with that accorded to the working man and woman whose taxes are deducted at source. Over and over again,