

*Income Tax Act*

Without getting into the semantics of political philosophy, I do believe the co-operative movement is a form of capitalism in the widest sense which allows average Canadians in their own communities to own something that ordinarily they could not afford, namely to own a share in a co-operative so the co-operative can provide a service to them and others, thus enhancing community life. It seems rather paradoxical to me that a minister should, with no stated justification or apparent reason, bring in fundamental changes to the operation of the co-operative movement, which has been flourishing in Canada since the forties, thus adversely affecting, in the minds of those in the co-operative movement, a segment of society which is perhaps the most bona fide, true-blue part of Canadian society that we have.

Many members of this House have been talking about economic nationalism. Newspaper editorials also put the case for and against economic nationalism. In the co-operative movement Canadians who own a significant part of Canada are working in the best interests of Canada, and they fear that these proposals are going, if not to completely suffocate, at least to stifle the operations of co-operatives. These Canadians in local communities are participating in a meaningful way, exercising some initiative, using the incentive of the patronage dividend, knowing they are part of an entity that they own, yet being faced with proposals that adversely affect the co-operative movement.

We have heard tales in other days during this debate about capital gains taxes. We have heard how the corporate tax field will be plugged up. We are going to discuss on Monday aspects of international income and the revision of arrangements in this tax field with other countries. On this matter there have been some explanations from the ministry. One can agree with them or disagree, but at least there have been some stated objectives and usually facts to back up the objectives. But as far as this section dealing with the co-operative movement in Canada is concerned, we have not had any cogent reasons given by the minister as to why he is upsetting a very large segment of what I say is likely the truest, bluest form of Canadian society from the entrepreneurial point of view that we have in Canada. Unless there is some justification from the minister on this matter, I do not see why members should give the minister what is almost a blank cheque to make the changes proposed in this section.

Other members at other times have talked about the irrelevancy of parts of the bill that have gone through a ten year gestation period, from the days of the Carter commission, the studies, papers, briefs and documents that flooded therefrom, to their inclusion in Bill C-259 today. But if there is any part of the bill to which the argument of irrelevancy should apply, I suggest most sincerely it is to the co-operatives phase of the bill, in regard to which there have been no explanations, facts or figures of reasons given by the minister to justify the changes.

Some might infer that he is trying to plug up our tax laws because of the way co-operatives allegedly play around with patronage dividends or the capital they use, but there are those who feel apprehensive that the purpose of the change is to destroy the co-operative movement in Canada. If that is the case, then again I do not

think members should accept without some further explanations such a fundamental disaster that will befall the co-operative movement in Canada.

If anyone has been misled into believing that co-operatives themselves are completely against taxation, this is not so. Obviously no one wants to be taxed. Everyone likes to avoid tax. In fact, avoidance of tax is quite permissible under the Income Tax Act regulations. It is when you try to evade taxes that you get into trouble. The co-operatives themselves know they have a social responsibility to be taxed and they are quite prepared to be taxed. This "mythology" that this is a privileged group that does want to be exposed to the pain of taxation I suggest is false and misleading, for they themselves have advanced a proposal under which they will be taxed. This proposal, I am informed, was advanced to the ministry by The Co-operative Union of Canada on October 29. The co-operatives proposed that their members receive the annual earnings resulting from business done with the members, with any earnings retained in the hands of the co-operatives taxed at the corporate rate. This proposal is a very definite and real form of taxation and was, as I say, advanced by the co-operative union to the ministry.

They also put forward some restrictions and conditions which were outlined in the proposal and which I propose to repeat here. The proposal was subject to the following restrictions and conditions:

• (2:30 p.m.)

- 1) That there be paid by the co-operative a withholding tax on all distributions made by way of a patronage refund.
- 2) That the withholding tax paid in respect to patronage refunds be creditable toward the recipient's personal tax. If the recipient is not taxable for some reason, the withholding tax will be refundable upon filing the usual tax return.
- 3) That the payment of patronage refunds be limited to the extent of income derived from member business and that any income derived from non-member business be taxed at the appropriate corporate rate, unless patronage refunds are paid to both members and non-members.
- 4) Any surplus remaining in the co-operative after making distributions by the co-operative, shall be taxed in the hands of the co-operative at an appropriate rate of corporate tax.

In their own submission to the minister, they were quite ready to advance a proposal through which they would be subject to a very meaningful tax. Certainly, if there is not a positive response to this proposal, and at the moment I gather there has not been such a response, then we, in the committee of the whole, should do nothing further than maintain the status quo. Basically we have a situation in which private business, the co-operative sector and the government have learned to live together and have worked out certain principles and terms of relationship in various areas. Without a reason being given by the minister, I do not think we should upset these relationships by these proposals presently in the tax bill.

I may receive some catcalls, I suppose, but regardless of political philosophy, I am all for change where necessity dictates change, but when the change is not indicated by necessity, fact or figure then there should not be change just for the sake of change. I believe very seriously that those who drafted these proposals did not understand the fundamental concept of the co-operative movement or what it is all about. That is one of the difficulties or