

Income Tax Act, 1986

Budget, namely, a one half million dollar gift of a capital gains exemption introduced gradually over a period of time. That \$635 million will almost pay for that gift in the first year. In order for the Government to make a very generous gift to its rich friends it is now going to dip into the pockets of people who cannot afford to have their personal exemptions decreased or their tax levels increased. They cannot afford to give those dollars to people who have extra dollars to invest in order to try and make a capital gain.

● (1540)

This Budget takes from those who are struggling to get by and gives to those who have all of their needs met and probably most of their wants as well. My constituents cannot afford their share of this \$635 million. They cannot afford it.

The Acting Speaker (Mr. Charest): The time allotted to the Hon. Member has now expired.

Hon. Douglas C. Frith (Sudbury): Mr. Speaker, I welcome this opportunity to add my words to the debate on this clause of Bill C-84. My hon. colleague from Cochrane-Superior has I think outlined very well this afternoon the reasons why the Government of the day in the mid-1970s decided to accept the recommendations made by the then Leader of the Official Opposition, Mr. Standfield, to introduce the concept of indexing personal exemptions and the income tax system. Before I begin to talk about the impact these measures will have on family income, I want to talk a bit about what the Conservative Party had to say in 1980-81 when it thought the Liberal Government was going to introduce the type of legislation which has been introduced on the floor of this House today. Regarding the deindexation of personal exemptions and the income tax system, the Conservatives indicated that the lower your income was, the harder you were going to get hit. At least they recognized the fact that the hardest hit would be low and middle-income Canadians. They were well aware of the impact it would have. They said it would mean a massive tax increase for all Canadians. Therefore, it seems rather strange that Conservative back-bench MPs have been silent this morning and this afternoon concerning the impact this Bill will have on their own constituency.

The Conservatives went on to say at that time that deindexation would raise a lot of money fast. This morning my colleague, the Hon. Member for Saint-Henri-Westmount (Mr. Johnston) indicated that in 1990-91 alone some \$4.3 billion will find its way into the Government's Consolidated Revenue Fund solely on the basis of the Government's vested interest in inflation over the next four or five years. That is why they said that indexation was their idea in the first place and there was no reason for the Liberal Government to remove it from the tax system, and why they felt every Canadian should speak up and write their individual Members of Parliament. My, how five short years changes the tune of the Conservative Party. In essence they have just ripped up the plans they had in 1980 to oppose the principle of deindexation and now sit quietly by while a Bill is introduced on the floor of the House of Commons which will do the exact opposite of what their Party

stood for in 1980-81. I suggest that is typical of the actions of this Government since it took office in September of 1984. Government Members have betrayed the trust given to them in the election of 1984, and I happen to believe that the Gallup poll is now beginning to reflect the degree of cynicism the Canadian people have regarding the Mulroney Government and the plans it has in a number of key areas.

I talked a little bit about the impact these measures would have on specific family income levels. I raised this issue at the time we talked about the plans to deindex family allowances. I admitted at that time that those plans were very small but the reason we, the Liberal Party, opposed those plans was the same reason we opposed the plan to deindex personal exemptions in the income tax system. In effect that will take this country in the direction of a very perverse social policy. As a direct result of this action the gap between the poor and rich in this country will widen. In fact, as I have pointed out, a family which earns \$15,000 a year will pay an additional \$1,879 in taxes over the next five years. StatsCan's definition of a middle-income family is one earning \$35,000 a year and they will pay an additional \$3,450 in taxes. The strange thing is that a family which earns \$80,000 a year will pay only an additional \$1,125 in taxes over that same time period. In other words, the family earning \$15,000 will pay approximately 65 per cent more in taxes than the family earning \$80,000. Every social policy group in this country which advises the Government has indicated that the Government is wrong in its attempt to introduce these measures for deindexation. It will be in effect a social policy of Robin Hood in reverse where the poor get poorer and the rich get richer.

I find the silence from the Government side quite deafening. We were elected as Members of Parliament in September of 1984 to represent our constituents' interests. Yet, again strangely, I see Members here from Mississauga, Quebec and western Canada who have nothing to say. They want us to rush this through so they have even given up speaking on the Bill. I suppose to some extent the Hon. Member for Saint-Henri-Westmount was correct this morning when he said that if he were bringing in legislation of this type, he would be very silent if he were part of a team of Government back-benchers who were going to advocate this kind of social policy on the floor of the House of Commons. I often wonder what happens in the national caucus of the Conservative Party. I know when we were in Government we had a very healthy exchange of views in caucus so that this kind of legislation which is so damaging to our constituents would never see the light of day. Yet time after time we find as a result of the May 23 Budget a number of income tax measures which will adversely affect our social policy for decades to come.

● (1550)

Before I conclude, I would like to talk a bit about the fact of the Government having a vested interest in inflation once the personal exemption system and the income tax system is deindexed. In the mid-1970s, when we were experiencing much higher levels of inflation, there was an excellent case to be made for the Government of the day accepting the principle