

*Income Tax Act*

the same briefs—such a policy as enunciated by that party is unacceptable.

• (5:40 p.m.)

What concerns me about that party is that, commendably, they say they are interested in the little man and the worker and assistance should be given to him. But lo and behold, the moment we start talking about industry, whether it is primary or secondary, they say whatever we are doing in this regard is reprehensible. I do not understand their thinking, because it seems to me if we are to be consistent in our concern—not for the little man, because I do not appreciate that term, but for Canadians as individuals—to the extent that we are prepared to give relief, whether tax deductions, incentives or otherwise, we should be concerned about primary or secondary industries which create jobs for our workers. I do not understand the thinking of the NDP and I do not intend to try, because I think it is ridiculous.

As I deal with the sections of this bill I should like to bring to the attention of this House and those who read *Hansard* what I would call a classic document. It is a report of the Senate Standing Committee on Banking, Trade and Commerce, dated Thursday, November 4. I am sure the government is aware of this document, and I know that with the astuteness of the parliamentary secretary he is also aware of it. It is dated November 4 and today is November 22, so I am sure he knows of these recommendations.

Let me review some of the matters which were raised in this classic document because it seems to me the gentlemen in the other place had the opportunity of interviewing witnesses in a non-partisan way for the betterment of all Canadians. They have come up with a document I think should be a guideline in respect of questions we are now facing in terms of multinational corporations.

Having read this document, it seems to me I can properly conclude that the impact on the continuing viability of Canadian multinational corporations will be disastrously affected. If we proceed with the sections of this bill in terms of the matter we are now discussing, I can also conclude that these multinational corporations, their investment in foreign operations, their need for foreign outlets to maintain higher levels of employment, will be hampered. I can also conclude that their need for foreign investment to maintain these higher levels in Canada will be hampered. Their capital needs in Canada and abroad should unquestionably be of concern. Last but not least, their competitive position on the world market will be in jeopardy.

It is imperative that we as a nation should not lose sight of the fact that Canada is one of the major trading countries of the world. We should encourage Canadian international corporations in their efforts to expand world markets as of the greatest national importance and high priority. Any measures such as those contained in the proposed legislation which inhibit these efforts are to be deplored. We in our wisdom are here to give some guidance and leadership in this regard, and we must be concerned about these matters. One need not be a financial analyst to determine that cutting the net return on investment almost in half may make foreign operations untenable, especially when foreign competitors do not carry the

[Mr. Alexander.]

same handicap. The situation is not improved when actions of other important countries are involved. I refer to United States fiscal and monetary policy, the surcharge and DISC.

The plain fact is that business operations abroad require an absolute ability to remain competitive by operating in a tax environment that is no less favourable than that of foreign competitors. For a significant number of Canadian companies the new rules will impose penalties that will restrict their foreign operations. For a larger number, foreign operations may remain competitive but will increase in complexity.

As I look at the report of the Senate Standing Committee on Banking, Trade and Commerce I wonder whether the parliamentary secretary is in a position to advise this House that there has been consideration by the government of amendments or recommendations submitted in the report. I read from page 47:5 of that report as follows:

It is the hope that, upon the receipt by the Minister of Finance of these recommendations, the same will be accepted by him as being pertinent and relevant, and to the extent so regarded, that appropriate amendments will be submitted by him to the other House while the said proposed legislation is being considered in the committee stage.

I do not know whether what was said by the hon. member for Winnipeg South Centre is indicative of the thinking of the government in this regard, but it seems to me when he is concerned he speaks on behalf of a number of those on the other side who will not give vocal expression to their concern. Perhaps the parliamentary secretary will take it upon himself to advise the minister what the hon. member for Winnipeg South Centre said on behalf of many of his colleagues who are concerned about the drastic effects of this bill.

In the event the parliamentary secretary has not had an opportunity to read these recommendations, I should like to put them on record. It seems to me they were made by a body we should appreciate, because they are giving this place some direction in respect of our economic climate and its effect on multinational corporations. I read from page 47:7 of this report as follows:

That the government give renewed consideration to the "foreign accrual property income" (FAPI) rules with a view to making at least the following changes: (a) that the definition of the term "foreign accrual property income" be amended to exclude from the category of income which is subject to the foreign affiliate rules any income or capital gains from property that may reasonably be regarded as having been used for the purpose of gaining or producing income from an active business; or, that the term be redefined in such other manner as to ensure that the over-all thrust of the foreign accrual property income provisions will be restricted so that the income subject to these rules will include only diverted income; in the result, that income such as interest on short-term deposits, interest on trade receivables, gains on the disposition of capital property used in a bona fide business operation and other like items will not be classed as foreign accrual property income.

I know this committee was very concerned about passive and diverted income. Let me read from the report at page 47:5 regarding passive and diverted income. At the bottom of the page is to be found the following statement:

This is particularly unfortunate in the light of the fact that the proposed legislation does not define what income is to be excluded from the diverted income rules as being "active business income". Because of this, there is a serious danger that income such as interest received by a foreign affiliate on short-term deposits or on