

Income Tax Act

efficiently and effectively fulfils the goal of raising revenue for the federal Government, and redistributing wealth. But that is not the case. Over the years our tax system has become needlessly complicated and regressive as the Government meddled with the system to give more help to its friends in corporate boardrooms.

● (1630)

Liberal and Tory Members of this House will howl over that, Mr. Speaker. They will accuse me and my Party of being shortsighted, not understanding the need to give handouts to big business in order to get the economy moving. But let me say this: They are wrong. They do not have simply to take my word for it. Let them consider the comments of the chartered accounting firm of Ernst & Whinney which, in its submission to the Economic Council of Canada, said that most government incentive programs have only a marginal impact on the decision whether or not to invest.

The federal Government hands over about \$8 billion in incentives and tax dodges to corporations operating in Canada, but it does not really have much impact on whether or not they will decide to invest more or less in the Canadian economy. In fact, for that \$8 billion the Government gets in return only that same \$8 billion in corporate taxes. I cannot help but think that with a return like that we would be better off without those giveaways. Consider for a moment that this year Canadian corporations owe the federal Government \$25 billion in deferred taxes. Most tax analysts are convinced this money will never be collected. It is a giveaway that Canadians are not being told about. You can bet the companies benefiting from this multibillion dollar tax giveaway are not small businesses. They are not farmers either. The average tax rate for small businesses in 1979 was 36 per cent, and for larger corporations it was 24 per cent. That is 11 per cent less than for the thousands of Canadians struggling to make a go of it in their own business.

What has the upshot of this multibillion dollar giveaway been? In spite of the claims of big business, it has not encouraged greater investment in our economy. Incentives offered by government do not have a great impact on the decision whether or not to invest. In spite of the billions leaking from the Consolidated Revenue Fund to big business, we still have 30 per cent to 35 per cent of our existing plant capacity standing idle. What does the Government do? Does it move to block the loopholes which allow this leak to continue or to restore the balance between personal and corporate income tax? Not a chance. In 1950 the Government got almost half its tax revenue from corporations. By 1980 it was less than a quarter from those same sources. Guess who picked up the slack? Individual Canadians who pay personal income tax.

The changes the Government has in mind this time include \$120 million in handouts through the special recovery investment tax credit, plus a \$17 million giveaway through the share purchase tax credit, another \$1.2 billion in changes to the investment tax credit and \$700 million in handouts through changes to the loss carryforward provisions. Taken together, this will mean a windfall to big business and its investors of more than \$2 billion over the next four years. Would it not

make a good deal more sense to collect that tax rather than old age security or squeeze funding for medical care and post-secondary education?

It is not ideology that prompts me to make those comments, Mr. Speaker. The inequity in the tax system is so glaring that you do not have to be out to grind an ideological axe to notice them and believe there has to be a more sensible way of doing things. Yesterday I read that Canadian banks were having their best year on record. Bank profits for 1983 soared by more than 25 per cent to \$1.8 billion. It seems only fair that banking institutions, as powerful and rich as they are, should at the very least be called upon to pay their fair share of tax. But that is not how things are done, and I am sure that if the Government tried to make Canadian banks pay their fair share of taxes, the CBA would cry long and hard about the unfair assault on their industry.

Things will no doubt carry on as they are and the Bank of Montreal, which paid absolutely no income tax at all last year, will still enjoy the tax holiday, which keeps it one of the most powerful financial institutions in the country. Individual Canadians will continue to pick up the slack left by the corporate ransom extracted through deferred corporate income tax and the myriad corporate tax giveaways.

The package of changes in Bill C-2 attempts to reduce the tax burden on the large corporations operating in this country and on the most wealthy Canadians who are able to derive the bulk of their wealth from investment income. As a byproduct we will see an increase in the proportionate tax burden on low and middle income Canadians. Why is this happening? It is because the Government has been so beguiled by the conservative fad of supply side economics. Rather than stimulate domestic consumption to get the economy rolling again, the Minister is trying to stimulate investment by making investment opportunities for wealthy Canadians. History will prove this fad to be foolish.

Some 17 years ago the Carter Commission recommended tax reform based on the simple principle that a buck is a buck. That makes sense. It should not matter whether you make your living by earning a salary or by investing in some sort of profit-making venture; you should be taxed in the same way. But that is not how it is done in Canada. Seventeen years ago the Government was told how to make the tax system simpler and more fair, but still things have not improved. In fact, you could make a strong case that the tax system has become more complex and less fair than it was in 1966.

On Tuesday, my friend from Kamloops-Shuswap gave a good example to illustrate what I am talking about. If we take three taxpayers, one making \$25,000 a year, another \$200,000 a year in salary, and a third \$200,000 in investment income, the first one is taxed at a rate of 14.4 per cent, the second at 43.8 per cent, and the third at only 18.5 per cent.

In closing, Mr. Speaker, I would like to remind the House that because of the plethora of tax loopholes available in this country, there are 239 Canadians making more than \$250,000 a year who pay absolutely no income tax at all, and there are