

Income Tax Act

Government backed off and made more loopholes available to Canadians, it has also backed off from an initiative—to give some credit where credit is due—of the Member for St. John's West (Mr. Crosbie) when he introduced a process in 1979 in which all of the tax loopholes were identified. As these tax loopholes were identified, the amount of money lost to the federal Treasury was identified, so that at the end of the year one could see the list of tax loopholes available in 1979. Two hundred of them were identified at that time. As well, the related amounts of money lost to the federal Treasury were identified.

This allowed us to evaluate clearly whether a tax loophole given to a certain group of Canadians which cost one-half billion dollars a year was worth it. We could sit down and discuss that and it enabled us to use some logic to evaluate the various tax provisions that gave advantages to certain groups of Canadians.

However, one year later, in 1980, the Liberal Government, because, I feel, it found it somewhat embarrassing when it was unable to justify these tax breaks to certain Canadians, did away with this exercise. No longer are those tax loopholes outlined as they were in 1979 and the amount of expenditures attached to each one clearly defined. In other words, it appears that the Government has some interest in clouding the subject of taxation and blurring it so that Canadians do not understand the abuse to which the tax system has been put.

Furthermore, I believe that in the minutes I have remaining it is only fair to identify what changes in the tax system we in the NDP would like to see. After all, the Minister asked for some suggestions and indicated that this would be an opportunity for Members opposite to articulate clearly some policy in terms of tax reform. I would like to do that for a few moments and will begin by raising one small challenge. With all of these tax loopholes being provided to the corporate sector, I would ask whether it is in the best interests of our country. I read with interest that the Canadian Federation of Independent Business polled its members only to find that more than half the business community, particularly the small business community, said that the paperwork attached to the tax forms required by the Government of Canada was identified as their number one problem. I think we have to ask the question, when you consider that in 1981 when the federal Government took in something like \$8 billion in corporate income tax but lent or gave out to the corporate sector \$8 billion in various benefits, whether or not that is an appropriate way to proceed. Do we need to go out and bribe corporations to do certain things? Do we have to go out and use taxpayers' money to encourage corporations to carry on certain kinds of activities in certain parts of the country? Is it really required?

● (1550)

I would like to suggest that if business sees a good deal, business will go for it. I am not convinced that a whole set of tax incentives is the basis upon which corporations and businesses should make investment decisions. As a matter of fact, when you read some of the submissions made to the Economic

Council, particularly one by the chartered accountant firm of Ernst McWhinney, you will find that that firm observed that most government incentive programs have only marginal impact on the decision whether or not to invest. In other words, when you consider that we pay out \$8 billion a year to the corporate sector in incentives and in tax dodges only to collect \$8 billion in corporate income taxes, I think we have to ask ourselves whether this is the right way to proceed.

I am not going to suggest for a moment, Mr. Speaker, that there are not some tax concessions to the business sector which are not beneficial. Again, it is fair to say that we have at the moment no way to evaluate all the tax concessions we give to individuals and corporations to see whether or not they are in the best interests of Canada. They may be in the best interests of certain select groups in society, but we have no way of determining whether or not they are in the best interests of Canada.

We would like to see more replacement of the tax expenditure system with a system of refundable tax credits, such as the existing child tax credit. This would offer benefits which would rise inversely with income. In other words, this would assist those more in need much more than the present system, which I think I have demonstrated assists those with the very least need of all.

We would also like to suggest that some evaluation of all the tax concessions to corporations should be put into place to ensure that those tax concessions are accomplishing what they set out to do. I believe that when we look very closely at the 200 some tax loopholes that are provided we find that most of those tax loopholes provide little benefit to the economy per se or to the Canadian society per se.

We would like to examine the position put forward by the Carter Commission when it reported in 1966 and said "A buck is a buck and should be taxed accordingly". If you are an individual who obtains most of your income from business, you are taxed quite differently than if you are a Canadian obtaining our income from salaries and wages. As a matter of fact, you are taxed on half your income, which means, in a sense, that a buck is not a buck but that for some people a buck is a \$2 bill.

It is that kind of inequity, it is that kind of bias in favour of investments that cause a lot of Canadians to be very concerned about the equity of our present tax system and is encouraging many Canadians to move their economic activities underground, so that today the underground economy is growing by leaps and bounds because people are doing everything possible to dodge taxes as a result of the unfairness that has now become so obvious.

For example, let us look at three taxpayers in this tax year. The first one is making \$25,000 a year; the second is making \$200,000 a year by salary, and the third is making \$200,000 based on investment income. The tax rate, using our traditional tax form, for the \$25,000 a year man comes to about 14.4 per cent; for the \$200,000 a year man on a salary it is 43.8 per cent; and for the \$200,000 investment individual it is 18.5 per cent. Virtually the same rate applies to the person making