

Income Tax

General's warrants to borrow money on the street when they know they are not entitled to do it except in emergency situations. Even though the Income Tax Act demands that the Government pay refunds to those who have been overtaxed, it does not do it. It does not obey the law because it believes it is above the law.

Mr. Smith: Wrong.

Mr. Blenkarn: The Parliamentary Secretary says wrong, but he still acts as if he is above the law.

Mr. Smith: Why don't you go to court?

Mr. Blenkarn: A lot of good that would do with the Government paying all of the costs; fight City Hall if you will, take them to court. Perhaps someone should take them to the real court, the court of public opinion in an election. That is the court case we will win. It is the court case that will determine that the Hon. Member for Willowdale (Mr. Peterson) and the Hon. Member for Don Valley East (Mr. Smith) will not be in this House again.

In the few minutes left to me, I want briefly to go over some of the issues that we were not able to deal with in Committee of the Whole because the Government brought in closure. First, let me deal with small business. If any Bill has done incalculable damage to the small business community, it is the Bill before us. It gutted the small Business Development Bond concept and left us with a bank bail-out bond. In a challenge to the Minister, the Hon. Member for Kamloops-Shuswap (Mr. Riis) said: "Please show me where a bank has advanced fresh funds for one of these bail-out bonds. Give me one example." The Minister could not give an example of fresh funds being advanced on even one of these banker bail-out bonds. He said it may result in a saving of 6, 7 or 8 per cent in interest. With the interest factors today, a person would be lucky to save 4 or 5 per cent.

Let us deal with the 12.5 per cent special tax on dividends. A company that has paid corporate tax will be further taxed on the distribution of profits to its shareholders. That is double taxation. It is taxation that applies years after when the company is to be wound up or when there is to be a takeover or change in direction or management. It discourages small businesses more than anything. On top of the 12.5 per cent tax, it eliminated the possibility of a small business reaffirming or recreating its cumulative deduction account. As soon as a small business has earned the maximum \$1 million in profit and paid tax on it, it is automatically deemed a large business. No matter what dividends it has paid out in its history, it is automatically a large business. There are some businesses—the Minister knows this but will not admit it—that remain small businesses, profitable but small, which will be that way forever—small stores, garages, small construction companies. We have had evidence of this before the Committee. To treat one small business differently from another just because over its history it has earned \$1 million in income is to be totally unfair and anti-productive.

• (1140)

As for the question of indexing, we had in our Income Tax Act the principle that if there was inflation we would not tax that inflation. We now have the six and five principle brought into this Bill. I say to you, sir, that that principle is not necessary. Inflation is already dropping dramatically and there is no need to change the principle of indexing. We would not oppose the six and five principle on taxation the way it was, in the sense of increasing the income to Government. We believe that if you are going to do that, you do it by amending the Income Tax Act, by increasing the rates of taxation; but to attack the principle of indexing, as this Bill does, is to take away the fairness which our Income Tax Act had, a fairness that was recognized almost throughout the world. We should have had an opportunity to debate that principle here in the House, but we have not had that opportunity.

Perhaps one of the meanest things this Bill does is to destroy the possibility of an employer lending to an employee money for the purpose of buying a home or for some short-term help. The present Act has a *de minimis* rule of \$500 in it. If I want to lend an employee of mine \$500 to pay for, perhaps, an airline ticket to fly to another part of the country to attend a funeral, and even if I am going to take it back out of his or her pay over a period of time, whether I charge interest on it or not, that loan is income and the instant that employee receives that loan he is subject to income tax on it. Housing loans have become income. If a housing loan is made it has to have an interest rate imputed to it at the imputed interest factor determined under the Act, even though these housing loans have been shown in every bit of evidence which we have ever heard, either in the Committee on Finance, Trade and Economic Affairs or in our own committees travelling across the country, to have been used to increase the productivity of businesses, mines, farms, stores, and companies of every nature. A housing loan is deemed to be an improper employee benefit.

The Minister also boasts about averaging. In the Income Tax Act we have right now—which we will not have soon—is the most fair system of averaging there could be. It applies to the little people of the country. If a fellow had a good year and his income went up from \$5,000 to \$15,000 all of a sudden, he got general averaging. The new system of averaging only helps the fat cats, the Government's friends. Only if you are in a tax bracket where you pay the 50 per cent rate, 34 per cent federally plus the full provincial rate, is forward averaging good to you. Otherwise, you must pay your tax at the 50 per cent rate if you want the averaging at all. So it is only the wealthy, the big wage earners, who can take advantage of forward averaging. The others are hurt. They are harmed. Young persons just out of school and starting a new career are harmed. A senior citizen who happens to sell his cottage in one year and must bring into income a capital gain in that year is harmed. The person who gets a bonus from his employer for an especially well done job in one year is harmed. An artist who manages to sell more paintings than ever before in one year, but not enough to get him into the 50 per cent bracket by a