

Income Tax Act and Related Acts

Let us take the case of a company that must sell its products in the United States and that must be competitive. But the Government says to its salesmen: From now on, you can only deduct from your income tax return 80 per cent of your actual automobile expenses, 80 per cent of your travel and entertainment expenses. It is unacceptable to urge people to be more dynamic in their sales efforts, while reducing the tools they need to do so.

What about small businesses, Mr. Speaker, which, from what we hear from the Ministers, have been well represented and supported by this Government? Every time they speak in this House or make a speech in some part of the country, they say that small businesses create 80 per cent of the jobs. That is right. This sector creates 80 per cent of all jobs; in fact, almost 99 per cent of all new jobs are created by these dynamic small and medium-sized businesses. And now, the only tax rate which is changed in this tax reform is the tax rate for the small manufacturing businesses. How can you have such a dynamic sector in our economy, one which creates so many jobs, and use the tax reform to increase its tax rate from 10 per cent to 12 per cent, instead of encouraging it?

That is another fine example of a turn-around from the Minister of Finance. A year ago, he presented tax proposals for Canadian corporations in which, just like the Government had done for several decades, he offered a reduced tax rate for all manufacturing companies, large and small. Now, in this tax reform, he keeps the reduced tax rate for the large corporations, but increases the tax rate for the small firms. It is incredible, Mr. Speaker, how a Government, in four years, can change its economic policies, right and left, completely changing its mind!

Moreover, the Government is proud to have proposed, in this tax reform, a capital gains exemption of \$500,000 for the incorporated small companies. But what about all the registered companies? Even the incorporated companies, Mr. Speaker, as I am sure you will understand, being yourself a lawyer. You know very well that, for small businesses, sales of shares are few and far between. Most of the time, they sell assets. Therefore, if the tax reform proposal to give a \$500,000 life exemption does not apply, the whole idea is a sham and does nothing to lighten the tax burden of small businesses.

They say they are reducing the capital cost allowance. But that reduction applies not only to big businesses, but also to small ones whose tax rate automatically goes up because of this. What a way to help small business! When one considers that more than 90% of Canadian businesses are small businesses, that the 20% reduction in car, entertainment and travelling expenses will also apply to them, one concludes that tax reform does not promote but hinders economic development in Canada.

Another injustice in the tax reform is the acceleration of tax deduction remittances. From the outset, this Government has tried to convince Canadians that it could reduce and was gradually reducing the deficit. An analysis of this Government's accounting principles in its four budgets and in its tax reform reveals that there has been no real deficit reduction. The Government has done nothing but twist the

accounting rules and, each year, on March 31st, try to make us believe that it has reduced the deficit by one or two billion dollars.

In 1986, Mr. Speaker, the Minister of Finance introduced the accelerated remittance of source deduction system. Instead of sending the monthly remittance before the 15th of the following month, businessmen must now send in these remittances twice a month or every two weeks. This announcement was made one month before the end of the fiscal year ending March the 31, so that this new accelerated remittance of source deduction rule would bring in \$2 billion every fortnight. Now the Minister of Finance uses this trick to convince all Canadians that he had reduced the deficit by as much as \$2 billion when in fact he had not reduce it by a single penny because these \$2 billion which he received 15 days in advance, he would have received 15 days later as he had done every year.

The following year, he introduced the accelerated remittance of the sales tax. Now, all businesses, big and small, must remit their accelerated sales tax on the 21st day of each month, even if it means making the necessary re-adjustment the following month if the amount is not correct, since the whole system operates on an evaluation basis. This means another billion dollar. Beside imposing on small businesses an enormous amount of additional paperwork, he tried to convince Canadians that he had reduced the deficit by as much as \$1 billion. What has really caused the tax reform to go bust? Well, he has now changed even the quarterly remittances. The very word "quarterly" means that they must be done every three months. These remittances should be made at the end of every three month period. Now this Tory Government has ruled that these quarters will no longer end on the 30th or 31st day of the third months, but on the 15th day of that month.

From now on, Canadian taxpayers, self-employed workers, senior citizens and lower income people who are not working but living on small investment income or interests will be required to remit their dues every three months on the 15th. Mr. Speaker, I cannot find the words: It is no longer a quarter because the three months are not completely over. Perhaps the Minister of Finance will eventually come up with the proper name but because of this tax reform, our senior citizens who are now visiting in large number my hon. friends in their riding offices are already having a lot of trouble trying to balance the figures for their quarterly remittance, because the money was sent two or three days too late or reached the department one week later because of our poor postal service. They come and show us their documents with penalties of \$1.09 or \$1.05 and ask us what they are all about.

Mr. Speaker, we are now going to make life even more difficult for people living on fixed income with only the Canada Pension Plan and the Old Age Pension, plus a few thousand dollars of interest income from their hard-earned