

Small Businesses Loans Act (No. 2)

business sector. The government estimates that tax revenues will be increased over the next three fiscal years by \$2 billion.

In his May, 1972 budget, as part of the development of a new industrial policy the then minister of finance, the Hon. John Turner, first created the speedy write-off provision which in the past nine years has greatly assisted the manufacturing and processing sector. This sector of the economy is largely comprised of small and medium-size businesses which employ one out of every five Canadians. The then minister of finance said:

I propose that the cost of all machinery and equipment purchased after tonight by a taxpayer to be used for the purpose of manufacturing or processing goods for sale or lease in Canada may be written off in two years.

● (1540)

He went on to state that this measure was enacted for the purposes of creating cash flow in the manufacturing sector to create jobs, which at that time was a priority of the Liberal government, and finally to allow industry to retool and consequently avoid obsolescence in the decade ahead.

The MacEachen budget proposal as it affects capital cost allowance will suck out of the private sector an additional \$1.1 billion in fiscal 1982-1983 and stunt the industry's ability to enhance cash flow and create jobs for expansion. This proposal is both retrogressive and counterproductive and should immediately be withdrawn.

Another major assault on the small business entrepreneur is the budget proposal ending the opportunity for individuals and corporations to defer tax on instalment sales where a portion of the proceeds is not paid until a future date. In spite of the fact that the proceeds from the sale have not been received by the vendor, the total sale price will attract tax. The change will affect all businesses that sell goods on a time payment plan, such as vendors of farm equipment, machinery, furniture and appliances. Moreover, small businessmen who wish to sell shares of their corporation to employees with payment being made by instalments over a period of years will now have to look for cash buyers. They will not have the money to pay the tax which will be attracted all in one year. The fact is that purchasers will now have to go to banks to finance a purchase because vendors will not be able to afford to extend personal financing arrangements.

The legacy that our forefathers gave to us is a country with unparalleled opportunity, forged on the anvil of risk-taking, incentive, hardwork and imagination. The small business community, which is the backbone of our economy employing more than 60 per cent of all Canadian workers, can only survive and prosper in a climate where incentive and risk-taking are rewarded.

Regrettably, yesterday's economic incentive has become today's tax loophole. In Toronto, on October 28, the Prime Minister (Mr. Trudeau) set forth the essential standard which would be employed in the budget when he said, and I quote:

What we are against is the rich getting richer by taking from the poor. So we take something from the rich, and give it to the poor, and we try to prevent the strong from exploiting the weak.

Juxtaposing this alleged standard against the marginal tax rate applicable to the rich, we witness just one more example of Liberal hypocrisy. The accounting firm of Peat, Marwick has published, subsequent to the budget, the amount of tax savings of Canadians earning more than \$40,000 and less than \$150,000. For those earning \$40,000, the new tax will be \$13,446 as compared to \$14,070 under the old rate. This is a saving of \$624. For those earning \$60,000 there is a saving of \$1,215. For those earning \$80,000 there is a saving of \$1,808. At the \$100,000 bracket, the saving becomes \$2,989; and for those earning \$150,000, a handsome wage indeed, taxes will be reduced by \$7,670.

In real terms, for a deputy minister, category three, earning between \$80,000 and \$93,600, the tax load will be lessened by between \$1,800 and \$2,500. Supreme court and county court judges, assistant deputy ministers and senior bureaucrats are insulated from the effects of the budget because under normal circumstances, deriving their income from salary, their marginal rate of taxation is reduced.

On the other hand, the small business entrepreneur who employs so many Canadians, who is the risk-taker, who has no security of tenure, who has no pension plan save and except the provisions of retirement he himself undertakes, is gouged and discriminated against by the budget proposals. We witness the proposal that interest on money borrowed for investment purposes will be deductible only to the extent of the investment income reported. We witness that the interest on moneys borrowed by RRSP contributions to provide for one's retirement will not be deductible under any circumstances.

We witness firms wishing to utilize the Small Business Development Bond for reasons of expansion or development no longer meeting the criteria. We witness the budget elimination of the allowance for reserves in respect to instalment sales where a portion of the proceeds would not be paid until a future date. We witness the restriction on capital cost allowance whereby the government will reap an additional \$2 billion from the private sector in the next three fiscal years. We witness professionals, whether they be lawyers, engineers or architects, paying tax on work in progress which is not ready for billing. We witness the elimination of income-averaging annuity contracts which will have a profound effect on sellers being less willing to finance the sale of a business or a farm through the use of a mortgage. Now it will be cash on demand.

The cumulative effect of all these provisions betrays any attempt by the Minister of State for Small Businesses and Tourism (Mr. Lapointe) or the Minister of Finance to say that they care about this most important sector of the economy. It further demonstrates what little influence the minister responsible for small business has over his colleague, the Minister of Finance.

I cannot refrain from pointing to an item in a very respectable tax journal, "The Canadian Taxpayer", which is edited by Arthur B. C. Drake, who is widely respected. It points out that, on the one hand, incentive is taken away from the small businessmen and, on the other hand, the mandarins are pros-