

Income Tax Act

because it seems in so many instances the imposition of certain taxes have a complete reverse effect. Instead of being anti-inflationary, they are inflationary. I say that the speed-up of corporation income tax is definitely in the nature of an inflationary tax.

Of course the effect has now gone. The windfall effect is now exhausted. The treasury has benefited by close to \$750 million over the past few years. This is the amount they have siphoned off. As I stated earlier they have used that amount to catch up with the rate of expenditures. There have been no surpluses and there have always been healthy deficits.

We have spoken about the resident insurance companies and this also applies in part to non-resident insurance companies, such as those in the general insurance field. The detail there is very complex. There are some provisions dealing with the sale of oil and gas rights deemed to be income in the year of sale rather than as payments are received. I trust when we come to the clause in question the minister will explain the rationale. For some reason or other individuals selling oil and gas rights are to have the proceeds charged as income in the year of the sale, although the proceeds may be spread out over a number of years. They will be taxed on the basis of the total amount to be received although it had been received in one year, subject to setting up some sort of reserve. We will see how adequate this reserve is to be. Again, why was this done? After all, the individual who sells on a term basis has not received income. It seems to me that the true rationale of income tax is that you pay on the basis of income that you receive and not on this so-called accrual basis. Instead of deducting as an expense the cost of borrowed money used to acquire appreciated property or used for the purpose of exploration, prospecting or development, there are options to capitalize. These are complicated tidying-up things. We will also see what these may mean.

● (8:40 p.m.)

I wonder why on earth in clause 29—that is the only reference I will make to a number—there is to be a tax on payments for know-how. There is a 15 per cent withholding tax involved upon, shall we say, the management fees paid for know-how by a subsidiary in Canada to a parent company in the United States or elsewhere as though this were a dividend. I would want to get a full explanation about this. Maybe I missed something

along the way. I am quite sure I may have. They are in the same category or same classification as patents, trade marks, models, plans, secret formulae, etc. I suppose it may be that the minister has discovered that some parent firms are using this as a secret method of withdrawing revenue from Canadian subsidiaries. If that is the case, we will certainly want to know, and I suppose there is a way of doing it.

Now I come to the social development tax which this year is to yield about \$440 million. Mr. Speaker, I called that tax savage the night of the budget, and particularly the limit of \$120 of tax. Frankly, it means that persons with an income of somewhere just below \$10,000 are the ones who bear the whole burden of this 2 per cent tax. Those whose taxable income is somewhere over \$9,000 to \$10,000 pay actually less than 2 per cent, and all those well above that are not carrying their load under what is alleged to be a progressive income tax system, progressive to the extent that as your income goes up it is deemed you are better able to bear the load, and so your tax returns are higher.

I know that a rationale was given by the Prime Minister on some occasion to the effect that, "Well, this is the sort of thing that drives people away from Canada to the United States, people who are in the middle and upper income brackets, if they continue to be taxed to the limit." There is no doubt that our taxes on income at the upper levels are higher than taxes in the United States, and therefore we tend to drive people away. Mr. Speaker, that has been going on for a long time. I have personally felt that the system of taxation used by Canada on incomes is a penalty on ability, a penalty on energy, a penalty on responsibility, and a full penalty on initiative. But that is the way the tax system is devised, and it is a wonder that more people have not left because they get penalized that way.

It does not matter whether you are going to work 16 or 18 hours a day, as many men do seven days a week, often gathering up ulcers, in order to develop a business. The net result is you get hit with hard taxes, and much of what you earn is taken away from you.

One of the points not touched upon by the minister concerns interpretations that the Department of National Revenue has placed upon registered pension plans for employees of corporations. I want to know why the minister did not deal with this subject. Last year quite a change seems to have been introduced because under section 11 of the Income