

**Mr. Sharp:** May I ask the hon. gentlemen a question? Is the Carter commission not also opposed to the income tax in its present form?

**Mr. Knowles:** Yes, that is perfectly correct. But the Minister of Finance is not by this bill proposing any changes or extensions in the income tax other than the provision raising the limit on the old age security tax.

**Mr. Sharp:** Would the hon. member permit another question? The reason I ask it is this. If we refrain from imposing this 1 per cent tax, I gather he would prefer raising the money through some other form of taxation. He does not disagree that we need the money, does he?

**Mr. Knowles:** Is the minister inviting me to remind him of the recommendation in the Carter commission report that a capital gains tax be imposed? If that is his intention I will certainly do so, with pleasure.

**Mr. Sharp:** And that a reduction be made in the top limits of personal income tax?

**Mr. Knowles:** Most of what I see in the Carter commission report, I like.

**Mr. Sharp:** That is not what the hon. gentleman was suggesting.

**Mr. Knowles:** Let me enter a caveat against the taxation of co-operatives and credit unions and a few things of that sort.

**Some hon. Members:** Hear, hear.

**Mr. Knowles:** I am pleased to have provoked a few "hear, hears".

Let us consider this question straightforwardly. What is before the house now is not legislation amending the income tax structure generally. What is before us is a simple, narrow proposition in two parts. One has to do with the ceiling on the old age security tax that people pay. The other, the more significant one, is an increase in the federal sales tax. The Carter commission having stated its view that a federal sales tax even at its present level is undesirable, I submit it is an insult to hon. members of this house to ask us to fly in the face of that opinion by passing a bill which would raise that tax by another percentage point. As a matter of fact the sales tax increase that is provided in this bill represents, I believe, \$155 million a year out of the \$290 million a year that the minister expects to raise by way of extra revenue as a result of this bill.

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*Excise Tax Act and Old Age Security Act*  
● (4:10 p.m.)

I have asked the minister two or three times by means of questions on orders of the day if he would consider postponing third reading of this bill in view of the recommendations of the Carter report. He told me no the first time, but then he did postpone it a week. When I asked him once more he told me no again, but once again he postponed it. I only hope he keeps on postponing it. However, the house will decide on that question when it votes on the amendment which I will be moving in a few minutes.

The second reason for our opposing the increase in the sales tax is in line with what was argued by the hon. member for Grey-Bruce and those who spoke on the point of order a few moments ago, namely, that this sales tax revenue is not going into the old age security fund. We have been over this argument back and forth, around and about and home again, several times. The minister talks at one point about balancing funds and at another point about cash inflow and cash outflow, and so on. But in my view the hon. member for Perth (Mr. Monteith) was perfectly correct when he said a few minutes ago that the general public's understanding was, and is, that the whole purpose of the taxes being raised by the mini-budget was to meet the increased cost of old age security pensions.

**Mr. Sharp:** To raise the cash.

**Mr. Knowles:** The minister returns to cash when we talk to him about the fund. If that is the case I suggest to him that he pick up the Carter report again and read what it says about these funds for social security purposes. I am glad to see him nodding his head. Apparently he has read that part of the report and apparently he agrees with the report's recommendation that these funds for social security purposes are really just political devices.

**Mr. Sharp:** Hear, hear.

**Mr. Knowles:** Mr. Speaker, it is a red letter day when we get a comment from the Minister of Finance on the Carter report. He agrees with what the Carter commission says about funded social security funds.

**Mr. Douglas:** Without a three year period of contemplation either.

**Mr. Sharp:** I would have agreed with that before they published the report.