Income Tax Act

credit system. However, it seems that the government is adamant on that point, so we are prepared to argue that at the very least we ought to increase these exemptions in order to be fairer to people in the lower income brackets. This argument is particularly cogent at this time when we are desperately trying to reduce the level of unemployment in Canada. The government itself acknowledges that we must take steps to increase consumer purchasing power. What better way of increasing consumer purchasing power is there than increasing the exemption levels of single and married people who are in the lower income brackets?

• (9:50 p.m.)

An hon. member said that it would cost half a billion dollars to grant these exemptions. The Minister of Finance, in his announcement of two weeks ago, indicated he was prepared to grant corporations tax reductions which would cost the treasury between $160 million and $175 million. Since there is no indication that any savings made at that level will filter down and stimulate the economy, would it not have been better if the Minister of Finance had granted increased income tax exemptions in order to stimulate the economy? I think most people will agree that that method would have stimulated the economy far more effectively at this time. That method of stimulation, I submit, is preferable to the method under which corporate taxes have been reduced.

I do not think we ought to be concerned so much about the government's being deprived of vast sums of revenue if exemptions are increased to the levels we suggest. We ought to be more concerned about transferring benefits that the government has given to certain sectors of industry to people who pay income tax and, particularly, to those at the lower end of the income scale.

I hope that those with thick heads on the government side of the House are listening to the points we are making. I hope hon. members over there feel some degree of sympathy for suggestions that we on this side of the House are making. I hope some people over there who may know what is going on will support the position the opposition is taking on increased exemption levels for Canadians. I hope they consider this matter both from the viewpoint of their party and of the taxpayer. Let them show fairness to those who have been denied fairness for too long. Let us move to stimulate the economy at this time when it so desperately needs stimulation.

Mr. Burton: Mr. Chairman, in debating sections 109 and 110 of this bill we really have had to contend and grapple with two basic issues. One is the extent of relief from taxation which is to be afforded people through a variety of methods and how the division of that relief from taxation is to be brought about; in other words, how the dollars of exemption or credit, or whatever it is, are to be divided up. Second, we have had to deal with the establishment of a tax system that is capable of being adjusted and changed to take into account new economic circumstances and developments in our economy and society as a whole. Mr. Chairman, I think that this is at the heart of the debate because we are now discussing tax credits and tax exemptions.

I was surprised at the intervention of the Parliamentary Secretary to the Minister of Finance. He seemed to suggest that Carter was not that hot on the idea of the tax credit system and that he came forward with it only in a half-baked way, so to speak. For the benefit of the parliamentary secretary and members of the committee, may I quote some of the comments made by the Carter commission on this particular subject. I intend to continue my remarks tomorrow, Mr. Chairman, and therefore I shall deal now with only one point. Dealing with the purpose of tax credits as against exemptions, Carter had this to say:

> We believe that the primary purpose of the additional allowances for dependants, working wives, educational support, and so forth, is to reduce the tax burden on low income families whose ability to pay is most heavily affected by the additional non-discretionary expenses resulting from each of these circumstances. We therefore regard the use of tax credits as a more efficient means of achieving this objective. Accordingly, we have recommended the adoption of tax credits in place of exemptions to reflect the effect of family responsibilities upon ability to pay, and have used the tax revenue gained from this substitution both to increase the effective allowances to low income families and to reduce marginal tax rates below what they would otherwise be.

It seems to me that in this paragraph Mr. Carter set forth the principle clearly that you need a tax credit system if you are to bring about the type of relief that is envisaged when you bring in any form of exemption, credit or whatever it may be. On page 180 of volume 3 of the report which was published in 1966, some five years ago, Mr. Carter pointed out the differences between tax credits and exemptions. He said that the difference between tax credits and exemptions is simple. Of course, members of the other side of the House seem to have failed to grasp this fact. Mr. Carter went on to say:

> A tax credit involves a reduction in taxes of a given amount, while an exemption grants a reduction in taxable income. The latter results in a tax reduction that increases with income. Because an exemption excludes from tax the last dollars of income received by a taxpayer, the value of an exemption depends upon the marginal rate applicable to the taxpayer. A tax credit, on the other hand, in effect exempts a given amount of the first dollars of a taxpayer's income. A tax credit thus affects all taxpayers in the same amount, while an exemption provides an allowance which increases in value as income increases ... To put this in other terms, the revenue loss resulting from the use of exemptions is higher than from the use of credits, where credits and deductions achieve the same result for low income families.

The government failed to recognize or grasp that principle put forward by the Carter commission, and for that they should hang their heads in shame.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

THE CANADIAN ECONOMY—REQUEST FOR ESTIMATE OF NUMBER OF JOBS PROVIDED BY NEW GOVERNMENT PROGRAM

Mr. David Orlikow (Winnipeg North): Mr. Speaker, on October 15 I asked the Prime Minister (Mr. Trudeau) whether he would table an estimate as to the number of