

*Income Tax Act*

tant than those who contribute their skill and intelligence to society. In our view that is a shoddy judgment which we cannot accept. I should like to remind this House that the Carter commission rejected that judgment when it said everyone should be taxed on an equal basis. It suggested everyone should be taxed on total income no matter where that income was derived. This government has seen fit to reject that recommendation based on the concept of equity.

In a primitive society one might accept the proposition that equity should be put aside in the interest of growth, as desirable as the principle of equity may be. The Minister of Finance has said this in similar words; he has said we would like to have equity but we cannot because we must have growth. Let us consider that proposition. The Carter commission pointed out that we have one of the most inequitable tax systems in the world, yet this country has been plagued repeatedly and cyclically by unemployment. We have been plagued repeatedly by slow growth. Therefore, our inequities in the tax system have not helped this country develop.

There is really no argument to be made for a trade-off as between growth and equity. On the contrary, it would seem that equity and growth go hand in hand. After all, one of the things that determines growth is the willingness of ordinary people to work. An investor always invests. There is no merit in the suggestion that we must give special concessions to investors. What will they do with their money except invest it?

History will bear out the fact that there are opportunities when people have purchasing power. If a country is prosperous, the investor will find a way to invest and satisfy the needs of society. After all, that is his role. There is very little evidence to suggest that an investor has to be stimulated over and over again by tax concessions which create a climate of unfairness.

Let us again consider the concept of growth and equity requiring separate things. Let us consider the middle-income earner who is the skilled workman, the school teacher, those who work in hospitals and others. Let us remember what the Carter commission had to say about this group. This is the most mobile group in our society. The point the Carter commission made was that this group could emigrate most easily but was the group being hit hardest by our tax system.

This country is in dire danger of losing some of its most skilled and intelligent people unless we provide a fairer tax system. We have not done so. Nothing will kill incentive in this country faster than the feeling that the people who work with their hands and their brains are being penalized and disparaged while those who invest money are being rewarded. If we are to have growth in the labour and professional groups in this country, then we must recognize their talents and adopt a tax system they consider to be fair. One does not trade off growth against equity. When you have an equitable society, growth is very often the product rather than competition.

Let me repeat some figures I have used before to indicate the manner in which people are discriminated against in our society. I intend to use some tax tables

prepared in the summer of 1971 in respect of tax reform legislation. I have in mind table No. 2 on page 17 of this report. I obtained these figures from government representatives, so I assume they are reasonably accurate. I asked what a person would pay in tax if he were receiving personal income in the form of wages or salary, or perhaps interest on bonds such as Canada bonds, compared with what he would pay on his income from money invested in equities of a Canadian corporation. Let us consider the line which is headed, "From \$5,000 to \$7,000". If the money he made is received in the form of wages or salary, the tax is \$1,280.50. However, if that money is received in the form of dividends, the tax would be \$200. This is about one-sixth of the amount paid by a wage earner.

• (9:20 p.m.)

But that tells only part of the story, because if those dividends carried in them an element of capital gain the tax could very well be half that amount. If we go to the figures here of from \$11,000 to \$14,000—this inequity does not apply only to the lower or somewhat above average wage earners; it applies to people on salary generally—we are speaking perhaps of some teachers, and if the teacher receives the whole of his income from teaching he pays in tax \$3,230.50. If that teacher happened to be smart enough to acquire a rich father—I suppose he should be awarded for the intelligence to have chosen a rich father rather than a poor one—and was able to take the rewards of his efforts and invest it, he would have to pay only \$1,350 in tax. Again, if those dividends came to him with a major element of capital gain in them, the tax would be lower.

How does society go on with a tax system of that kind? How does it say to its people that they should work hard because their country needs them, it is advantageous to them and they will be rewarded? It is things of this kind which create tremendous dissatisfaction in society. It is things of this kind which put the lie to this government proposal which is called tax reform.

Therefore, let me sum up the kind of message which we get from this great document the geniuses on that side have devised. First of all, it says that the holders of capital shall be rewarded more than others, even to the extent that if you leave a great deal of money or any money when you die there is no tax on it; it can be transferred without any tax whatsoever. I could understand giving consideration to a person enjoying the rewards of his own labour or the fruits of his own labour, if you wish to be poetic, during his lifetime and even to the extent of perhaps passing it on to his wife without taxation, because very often wives contribute very substantially to the acquisition of wealth of this kind. What argument, however, is there for taking this wealth and passing it on to those who have never lifted a finger to earn it? Some of it should go to the heirs, but why should all of it go to them without taxation?

How can such a situation be considered just, when ordinary wage earners have to pay tax on every cent they make excluding their exemptions? How can we develop a country when we insist on promoting the

[Mr. Saltzman.]