

*Income Tax*

\$5.7 billion, a nice subsidy for the upper income earners of Canada.

The 1978 tax returns indicated that well over 2,000 individuals who had assessed incomes of more than \$50,000 paid no income tax at all. Hundreds who earned in excess of \$100,000 paid no income tax. In 1979 more than \$30 billion in revenues were lost to the Government as a result of tax loopholes.

While most Canadians were paying tax rates in the area of 20 to 25 per cent, the banks of Canada were paying a tax rate of 18 per cent, Power Corporation a rate of 11 per cent, the Steel Company of Canada 7 per cent, and Cadillac-Fairview 6 per cent. In other words, while the average working Canadian was being asked to pay 20 to 25 per cent of his income in tax, the banks and major real estate corporations were being asked to pay significantly less. When you look carefully at this Bill and the tax system, it is interesting to find that it is a kind of hidden subsidy or welfare for the upper earners of Canada.

In 1979 the Clark Government published the first Government report outlining the tax expenditure account. It proved beyond any question that most Government spending is actually done through the tax system, not through the usual kind of system such as DREE. In fact, eight times as much money was spent on housing and urban renewal through the tax system than through direct spending.

In the resource sector, the manufacturing sector, the general business incentive sector, the Government spent about \$1.5 billion directly and about \$6 billion through the tax system. As an example, take the income from capital gains. In 1978 1 per cent of tax filers accounted for 55 per cent of all the capital gain reported. Five hundred individuals with incomes over \$100,000 recorded all their income from capital gains. A capital gain is only taxed half. In other words, half the capital gain is taxed. Another way of putting it is this. In 1980, \$1 billion was spent to subsidize those who speculate in the securities and commodity markets and those who realize profit from real estate and other capital property sales.

This is justified by saying these people are in a high-risk area. They are risking their funds, but capital gains applies to all or any property. While it may be true in certain areas, it certainly would not be true for those who are making their capital gains through investment-induced stocks where the risk is indeed extremely minimal.

Over the last number of months, many people to my right have been railing on how they despise the way the Government spends on the CBC, and yet are quite willing to accept a 100 per cent tax break for those individuals invited to participate in the Canadian film industry.

Who can argue against charities? Let us look at who participates in contributions to charities. If you are in the \$100,000 a year bracket, a \$100 donation will cost you \$39. If you are in the \$10,000 a year bracket, a \$100 donation to a charity fund will cost you \$73. In other words, the tax system of Canada gives the wealthy much more power over the spending of Government money. One per cent of the taxpayers allocate about 35 per cent of all the Government funds that go to certain charities. The charities that are associated with and

encouraged by the upper income earners are the ones that are funded. Lower income Canadians do not have the same flexibility in the tax system to support the charitable organizations that they would like to support.

Let us deal with child care costs. We recognize today that with the state of the economy, it is important often for both parents to be away from home working. If a single parent is working, day care expenses become very important. If you are in the 65 per cent tax bracket, you get a subsidy from the Government of \$650 for child care costs. If you are in the typical 20 to 25 per cent bracket, you get \$250. If you are in the low income bracket you get nothing because there is no deduction. Any deduction in a low income area would be worthless. The Minister of Finance should say that we have a system which supports child care costs and some help to those who are very wealthy, a little less for the middle income group and nothing for the poor of Canada in terms of child care costs.

I listened with interest this afternoon when we were talking about deferred profit sharing. The idea behind that is good. However, when we hear that 90 per cent of the deferred profit sharing programs are used by firms participating with only three or fewer, we get the impression that this tax legislation is not being used for the purpose for which it was intended.

This Bill is simply too important and complex to gloss over. It is too important to pass quickly. In fact, when you consider what this Bill does, Mr. Speaker, it must be opposed. We waited 13 months for this Bill to come before the House. We know that there will be another budget in 90 days. There will likely be another set of tax changes. In the best interests of stability and certainty, perhaps we should hold off passing this Bill. Perhaps we should pass one Bill associated with that new budget and settle this whole matter. It would give the people of Canada some years where they could predict that no serious changes would be made to the tax laws.

I said at the outset of my comments that this Bill is tinkering with a system that is unjust. Further tinkering will not help the situation. When you consider the complexity, it is likely going to make it more unjust and more confusing. The average wage earners in Canada who cannot afford a tax lawyer or accountant to help them with their tax returns are being disadvantaged as the complexity grows more and more.

We plan to study this Bill very carefully. We plan to debate this Bill and point out its shortcomings in the hope that the Government will see fit to remove some of the more problematic clauses. We certainly do not plan to support this Bill so as to see its rapid completion in the next eight days before Christmas.

• (1730)

**Miss Pat Carney (Vancouver Centre):** Mr. Speaker, it was almost exactly one year ago when I rose to speak on the origins of this income tax legislation, the November, 1981, budget. It has taken this Government 389 days to bring in the income tax