

*Income Tax Act, 1986*

taking an important step forward. It was making an important adjustment to the economic realities of that time. Indeed, those economic realities persist and are in some ways more pressing today. By taking the Government out of the inflation profits business, the Government was taking a responsible step, a step which eliminated an inherent conflict in the way in which Government was run or did its business. While there was no inflation indexing, the Government in a way was tempted to promote inflation because by having people move up the income scale, it benefited by gaining increased tax revenues or by an increased tax yield on the inflated incomes of those people. While it is a matter of public record that the previous Liberal Government succumbed to a large variety of temptations, we can at least give it credit for taking this particular temptation out of its way by the introduction of indexation of tax brackets and of those benefits.

The effects contemplated by these measures, or the effects which these measures will bring into being, are of course an increase in Government revenues over what they would be previously. However, it is worth pointing out that the increases about which we are talking will be cumulatively compounded, so that when we reach the 1990s the Government will perhaps be taking \$2 billion or \$3 billion out of the economy as a result of this very simple, seemingly small change proposed in the Income Tax Act. It seems that the Government has taken the decision to get back into the business of profiting by inflation. What is entailed in the legislation, Bill C-84, is that when there is an inflation rate of 3 per cent or less, the Government will take all the increase brought about by that increase in the inflation rate. When there is an inflation rate of over 3 per cent, essentially the Government will take the first 5 per cent of the inflationary increase in the nominal incomes of people.

It is very important to point out the difference between a real increase in income and the imaginary or illusory increase which inflation confers upon wage earners and indeed everyone who pays taxes. Those gains are totally illusory because they simply represent a redenomination of the income which the person has without any increase in the real value. Thus, to have the Government profit by the first 3 per cent of that redenomination gain is not only poor in an economic sense but in some ways smacks of immorality.

The Government has shown the House and the country that when it comes to its priorities, when it comes to the rewarding of its corporate friends, and when it comes to the bailing out of banks or oil companies, it is indeed a Government which has all the funding that apparently it could desire. We have not heard from the Government when it has been asked for a sort of on demand tax exemptions available only to the rich and powerful. We have not heard from the Government that it does not have the money to fund them. We have not heard the Government saying that it cannot afford to bail out 100 per cent of the deposits over \$60,000 for the banks which failed. We have not heard the Government say to Gulf that it cannot provide the exact tax exemption for which it is looking. When it comes to requests from those interests, the Government has been all too accommodating. For example, when it comes to

the requests for subsidies to institute an auto plant, before the request had even been made, the Government was out there with its cheque-book. That is a level of generosity which borders on the foolish. It is a level of generosity which has not been extended to ordinary Canadian taxpayers. It is a level of generosity that we know will not be extended to ordinary taxpayers by this Conservative Government which uses loosely the label "Progressive" in somewhat incoherent conjunction with the "Conservative" tag that it more fairly merits.

Another aspect of the deindexation of the tax brackets touched upon by the Hon. Member for Windsor West (Mr. Gray) is of course the effect that it will have on people at the lower end of the high income scale. We are talking about a comparison of those who are fairly comfortably off, those who are wealthy and those who are super rich. I think the figures were put accurately by the previous speaker when he mentioned the impact on those people in the \$30,000 to \$40,000 range compared with those people who enjoy the giddy heights of an income in the range of \$200,000. The effect of the deindexation of tax brackets on the people in the lower end of that scale is significantly higher on a proportionate basis than it will be on those people who are higher up that scale. Of course the Hon. Member for Windsor West did not mention that that was the case because the Liberal Government, I believe it was in 1981, removed the progressive rates of income tax. This was a contributory factor to the greater impact of deindexation on middle-income earners. Perhaps it would be going a little too far to expect an acknowledgment of that deficiency of the previous Government, which I note the present Government has not done anything to remedy. It is worth adding to the point that was made by saying that we are not talking about a one time impact on the incomes of people in the range of \$30,000 to \$40,000. We are talking about an impact which repeats itself. Year after year, the people in the lower end of that range will see more of their income taken by deindexation than will the people in the upper end of the range.

If I might do so, without straying too far from the text and the sense of the amendment, I draw some comparisons between the Government's general treatment of people who are in the lower and middle-income brackets and those in the upper-income brackets. For example, we know that those people in the range above \$150,000 of taxable income had something like ten times the amount of declared capital gains of people in the \$20,000 to \$30,000 range. Of course that is understandable. It is something that tax planners would be well aware of when they started doing any analysis and even before they needed to analyse the impact of tax measures. However, when we look at taxation and the measures which the Government is and is not taking, we need to compare the two sides. We need to look at what the professionals call, perhaps presumptuously some may say, tax expenditures. We need to consider the level of exemption which tax expenditures confer upon those in the upper ranges of the income brackets. The point has been made by a large number of speakers that capital gains tax exemption basically restores to the wealthy,