

Income Tax Act

work, have more goods to trade and thereby increase our economic effectiveness, and as a result our success depends upon increasing our costs, not upon increasing our efficiency. As a result of that, business becomes subservient to government, and I suggest that the present government—and, I suspect, other governments in this country—enjoys the feeling of power it has over the corporate sector. That is what they have been able to achieve by interfering more and more in the tax structure in the country by introducing more so-called tax incentives.

It is by no means only experts who think this is the thing to do. By 1975-76 the then president of the Institute of Chartered Accountants, Mr. Marcel Belanger, came out very strongly against this type of incentive system based on tax incentives to inflate costs. That was the way you succeeded, not by becoming more efficient or by trying to make a profit. There are still many economists in Canada and the U.S. who seem to think that that is the way our economy should be growing, with greater and greater incentives and more interference by the government.

That is one of the examples of further intrusion into the economy, but there are two or three others. We see now a real demand by companies, as they do their accounting, to allow depreciation on the replacement value with our inflation, which has been aggravated by our change in the tax structure. We now find that it is unrealistic to have depreciation on a provisional cost basis, so companies are trying for depreciation on the replacement value basis because we have shifted from what was originally a healthy tax system to the unhealthy one we are now supporting. We also have a demand for accounting inventories on a last-in-first-out basis for much the same reason owing to inflation. All these are designed to increase the cost of a company's operation rather than to increase its efficiency or productivity.

When we have a system which cries out for more and more inflation of costs, we have to hire two types of individuals who are non-productive: we hire more tax lawyers and we hire more tax accountants, both of whom are non-productive, and thus we aggravate our inflationary spiral.

What are some of the results of this type of change which we have seen in our tax system? What we have seen happening in the last 25 years in this country is a shift in taxation from the corporate sector to the private personal income tax sector. This has had a serious effect on our economy, and, if I may, I want to document the extent of this shift in taxation.

A recent publication of the Economic Council of Canada entitled "The Tax Structure and Canadian Trade" written by J. R. Melvin has some interesting figures. He compares 1951, shortly after the change in concept introduced by C. D. Howe, with 1971. In 1951 corporation taxes were greater than personal income taxes so far as total tax revenue was concerned. Corporation taxes were more than 50 per cent of total government tax revenue. In 1971, just 20 years later, corporation taxes were about one quarter of personal income taxes. We can put this in another way. In 1951, corporation taxes were 6.6 per cent of the g.n.p., and in 1971, 20 years later, they had

dropped down to being 3.7 per cent of the g.n.p. They dropped from 6.6 per cent to 3.7 per cent of the g.n.p.

What happened to personal income taxes? In 1951, they were 5.9 per cent of the g.n.p.; 20 years later they had climbed to 13.9 per cent, almost two and a half times as much. There is a third way of looking at what happened in the period of roughly 20 or 25 years. The Canadian Tax Foundation in its annual publication entitled "The National Finances" had some interesting figures. They took the financial year 1950-51 and compared it to the year 1976-77, a 26 year difference. In 1950-51, the personal income tax revenue of the Government of Canada was \$652.3 million. By 1976, 26 years later, that had jumped to over \$16 billion for an annual rate of increase of 13.1 per cent. What happened to corporation taxes in the same 26 year period? They climbed from \$809 million to \$5,860 million. That was an annual increase of 7.9 per cent. So there, Mr. Speaker, you have an illustration of what happened to our taxation structure. In 26 years there was an annual increase in personal taxes of 13.1 per cent, and in corporation taxes of only 7.9 per cent.

Are there any examples of what this has meant in dollars and cents in Canada? There is one large U.S. oil company operating in Canada—I will not mention its name but it is no secret. In the ten years between the early 60s and the early 70s, that big company did not pay one cent in Canadian corporation tax. Can you imagine a large U.S. oil company operating in Canada not paying one cent of corporation tax for ten consecutive years? That same oil company turned around a very few years later and bought out the remaining existing Canadian oil company, the one that used to go under the white rose banner. It was bought out by the very company that paid not one cent of corporation tax in Canada in ten years of very active business in this country.

How do we stack up as a country vis-à-vis other countries? In the last few months some interesting figures came out from the U.K. statistical office. They compared a number of countries with reference to the amount of taxes that were raised in the country in relation to the g.n.p. in that country. I used to think that Great Britain was a country where you had to pay a lot in taxes, but I suppose that we in Canada have taken over that role. Those figures show the following results. If you take the total taxes raised at all levels in Canada, you find they represent 40.5 per cent of the g.n.p. In the United Kingdom it is only 40.3 per cent. But what is more remarkable is that other countries which are much better off economically than we are, such as the United States, have taxes totalling 31.4 per cent of the g.n.p. What is even more interesting is Japan, which is one of the booming countries at present. Their taxes are one half of Canada's. The taxes raised in Japan are 21.1 per cent of their g.n.p., while ours in Canada are 40.5 per cent.

This brings to my mind a comment I heard recently when I had occasion to be in Japan a month or two ago. We were talking about the unemployment situation here and in Japan and they told us that over there they were having some tough times with their industry keeping the workers busy. We mentioned our unemployment rate being somewhere around 8.5