

*Income Tax Act*

increasingly undermining the foundation of equity on which a well functioning tax system must rest.

*[Translation]*

From the outset we knew that to deal with the problems I have outlined, a reform had to meet certain objectives. Canadians want and need, first, a tax system

—That is fair and progressive, that imposes little or no burden on those least able to pay, and that levies similar amounts of tax on individuals in similar economic circumstances; second,

—That has a broader base and lower rates, that encourages individual initiative and in which all high-income individuals and profitable corporations pay their fair share of tax;

—That supports our ability to compete internationally, creates employment, creates employment opportunities and assist our regions to grow and prosper.

Finally, that is more understandable and reliable in producing the revenues needed to finance public programs.

Our reform meets these objectives, Mr. Speaker. Looking just at the personal income tax for a moment, it lowers income taxes for 9.7 million households, over 85 per cent of all households in Canada, and it reduces the taxes of about 850,000 lower-income Canadians to zero.

● (1620)

*[English]*

Tax reform reduces taxes for about 1.3 million of the 1.4 million households with at least one person age 65 or over. Tax reform reduces the variation in taxes paid by persons in similar circumstances and with similar incomes. That is a summary of what is accomplished by tax reform on the personal income side.

In the corporate sector, tax reform means that the number of profitable corporations not paying tax will be more than halved. The financial sector will pay significantly more. Other low rate sectors will see their taxes increased, and very high rate sectors such as the retail sector will see their tax burden reduced modestly. Continued general preferences for the mining sector which promote exploratory activity in many parts of Canada will be maintained.

What is more, the rate of tax on the return from new investment will be reduced and incentives to research and development maintained. This will strengthen the incentive for firms to invest in profitable ventures. The already low rate of tax for small business will be further reduced and remain below that for large corporations.

How have we made these reforms possible? How can this be done? The key to all these improvements is the fact that we are broadening the tax base and lowering the tax rates. This two-pronged attack, broadening the base and lowering the rates, will make our tax system one that encourages initiative and strengthens competitiveness, growth, and job creation.

As we have maintained from the outset, lower rates are the best incentive for Canadians to work, invest, and raise their living standard. They will also support our international competitiveness and increase employment opportunities available to Canadians.

When I speak of the broader tax base, what does that mean? It means there are special tax preferences, fewer loopholes, fewer boondoggles for avoiding the payment of tax. It allows lower rates and ensures that high income individuals and profitable corporations pay their fair share of tax. Canadians will have a fair and progressive tax system where the tax burden reflects more fairly the situation and the ability of the individual to pay. Individuals in similar economic circumstances will be subject to similar amounts of tax.

Reform means, too, that the system will promote the growth and prosperity of all regions of Canada. The reformed taxation system provides a more reliable and broader tax base. It provides a secure source of revenues to finance public programs.

Finally, I want to reiterate that these reforms of the taxation system have been carefully designed to be fiscally neutral. How is this possible? It is done this way. The corporate tax measures contained in this Bill largely pay for the reduction in personal income taxes. When combined with the sales tax measures already passed in Bill C-17, the over-all fiscal effect is neutral. The measures in this Bill will not have to be paid for at some later stage.

*[Translation]*

I want now to go over in very general terms the major provisions of Bill C-139.

One of our goals was to make the tax system fairer and easier to understand. In a move towards such a system, the Bill implements the conversion of personal exemptions and many deductions to credits, and eliminates or restricts other deductions, credits and exemptions. It thereby makes the entire system more progressive.

*[English]*

As a result of these changes, most taxpayers will find that their effective rate of tax is lower than under the existing system. Those who have been using special preferences in the existing system, those who have been taking advantage of all these special preferences, which this Bill reduces significantly, are the ones who will see their taxes increase. There is no doubt about that. I believe that is appropriate.

Restriction or elimination of a number of deductions in the corporate tax means that the corporate tax base is significantly broadened. This means that many more profitable corporations and a higher proportion of their income will now be part of the tax base. This broadening of the base has allowed us to lower rates. It has allowed us to maintain an internationally competitive system. At the same time, it has allowed us to