

Income Tax Act

He said: Mr. Speaker, if the principle of this resolution were adopted a Canadian taxpayer in essence could divert a limited amount of his income to a political party, an amount that would otherwise be paid out as income taxes. Several considerations prompted me to move this resolution. They arise mainly from the fact that the role of government, in ordering the economic affairs of our nation, has evolved to a greater degree of responsibility than ever before in our history. Evidence of that fact is apparent when we reflect upon the impact on our economy of new policies that could flow from the GATT conferences. We have found it necessary to establish an economic council to advise government on the state of the nation's economic health and the measures to improve it.

The unique division of powers under our federal constitution has brought the provincial governments into the field of economic planning within their provincial boundaries. Their provincial objectives must be co-ordinated with our national objectives. Canada recently found it necessary to stabilize the Canadian dollar, to peg it at a value of 92½ cents, with the financial assistance of the international monetary fund. That decision brought advantages to some sectors of our economy, and disadvantages to others.

The affluence of the Canadian economy, or otherwise, depends upon the volume of our exports to other nations of the world. All of them are dedicated to employ the powers of government to attain full employment for their people. They are bound to introduce economic policies that will require counter measures, as well as co-operative efforts on the part of our national government, that could involve loss of opportunity for some existing industries in Canada, and gains for others.

It is the government of Canada and parliament that have to make the hard decisions in the light of international developments, as they transpire, with due regard to the overall benefit to Canada as a whole. The challenging responsibilities of governments in the economic field in the world today and tomorrow must be discharged by the men and women elected to parliament and to the legislatures.

To ensure that parliament shall discharge its duties with a maximum of democratic objectivity, fairness and justice, we maintain the party system of nominating and electing its members. That process calls for a continuous flow of funds to party treasuries, not

only for election campaigns but also to maintain party responsibilities between elections.

If Canadians are not encouraged to make contributions to political parties, with a high sense of service as democratic citizens, we encourage undemocratic influences upon those elected to office. In April, 1962, a commission appointed by the late President Kennedy submitted to the United States congress a report of its inquiry into the matter of presidential and vice presidential campaign costs. I quote from that report:

Given the erratic flow of funds and the periodic crises in campaign finance, individuals and organizations providing substantial gifts at critical moments can threaten to place a candidate in moral hock. In consequence, a disturbing and fundamental failure of present practices is the widespread cynicism about the democratic system they produce.

The heavy dependence of political parties in presidential campaigns upon substantial gifts from and expenditures by a relatively small number of individuals and organizations lends itself to widespread misinterpretation. While the great majority of such contributors to presidential campaigns is not motivated by expectation of specific preferment, none the less, for the vitality and acceptance of the democratic system, we hope to see a significant increase in the number of contributors, both to spread the cost of campaigns and to diffuse more widely through the population the sense and the reality of participation in the politics of democracy.

The United States commission of 1962, among other recommendations, proposed that one half of the contributions by individuals to a maximum of \$10 per year be deductible from annual income taxes or, in the alternative, that they be permitted to deduct up to a maximum of \$1,000 per annum from taxable income.

It is feared by many with a practical knowledge of our political system that efforts to have governments subsidize the cost of elections could lead to a weakening of the democratic process. While measures can be adopted to reduce election campaign costs, they will not eliminate the need for a substantial volume of voluntary contributions.

It is the present practice, under the Income Tax Act, to disallow contributions to political parties. Many corporations contribute, as well as individuals. Looking for a moment at the corporations, while such outlays are included among operation expense, in reports to shareholders they are added back to income, for income tax calculations. It is a fact, Mr. Speaker, that such contributions are disbursed in the form of cash payments. This poses a problem for both shareholders and auditors as well as the income tax auditors. They must satisfy themselves that the payments were in fact made for the alleged purposes.