

Income Tax Act

I will ask the parliamentary secretary this: is he prepared to justify section 125, which is entitled, "small business deduction". Is he prepared to accept the ceiling of \$400,000 cumulative of taxable income; is he prepared to accept the provision that even if the company is a public one, because its earnings are restricted, it will not be entitled to the small business deduction based upon the provision regarding the \$50,000 annual total profits for the year? Is he prepared to accept the situation in which a company, owned in part by a foreign concern or individual, which has operated for a generation or more in this country, which employs Canadian labour entirely and which has been Canadianized as much as possible, will nevertheless be driven out, because the ordinary rule regarding corporate taxation will apply to it? Will the parliamentary secretary and members of the committee accept the situation in which a distributing firm handling equipment or tools or goods from overseas is to be thrown to the wolves? That is a very specialized business. The overseas parent company saw fit in the past to establish a Canadian branch. Notwithstanding the fact that the management of the company is Canadian, that its employees may have worked for 25, 30 or 35 years for the company in Canada, is that company to be tossed to the wolves.

I predict, Mr. Chairman, that in the industrial heartland of this country and in the oil sector of Alberta, that is, Calgary and Edmonton, many firms will close as a result of the restrictions in section 125. They will close because they will not be able to operate as a result of increased taxes. I want the parliamentary secretary to pay particular attention to my remarks. Some time today, I hope he will answer these questions and attempt to justify the thrust of these small business restrictions contained in section 125. I am very serious about that. They are the ones that demand an answer.

• (3:10 p.m.)

Do hon. members support the idea of disqualification because of foreign ownership—and incidentally a total disqualification—of small business? Do they support the principle that if a small business does become disqualified by reason of being sold or absorbed by a public corporation or foreign interests there shall be a retroactive assessment for recovery of taxes? There is a recapture of tax because of the changed status. I wonder if hon. members opposite are prepared to accept all of this.

Mr. Ryan: They did not know about it before.

Mr. Lambert (Edmonton West): My colleague, the hon. member for Spadina, says possibly they do not know about it.

Mr. Cullen: That is his second mistake.

Mr. Lambert (Edmonton West): I wonder whether the hon. member for Sarnia-Lambton is prepared to support this type of legislation in light of the across-the-border interests in his city. Some people in Sarnia conduct business in Michigan, and some people in Michigan have business interests in Sarnia.

Mr. Baldwin: That is his second mistake. His first is belonging to that party.

Mr. Lambert (Edmonton West): This is very interesting, Mr. Chairman. If I wanted to be difficult, I could pick on Mr. Speaker whose constituents have business in New York State and vice versa. The citizens of New York State own businesses on the Canadian side of the St. Lawrence. Will there be imposed on us some degree of reciprocity if we impose instalment one of the foreign ownership policy of the government? That is what this is, instalment one. I do not know whether instalment one will agree with the rest of the book. Considering the lack of planning that goes on across the way it may be at complete variance with it, yet the committee is being asked to approve section 125 and the principle of foreign ownership involved in that section. Frankly, it is a nonsensical position. Until the government sorts out its priorities with regard to foreign ownership, section 125 should not be passed.

One of the chief offenders against this particular section is the province of Ontario where most of the corporations in Canada are located. More corporations are located in Ontario than in any other province or grouping of provinces. Certainly, business in Ontario pays far more income tax than the totality of the rest of Canada. However, it is impossible to change the Ontario corporation tax act to make it mesh with these particular sections. It is not possible to do so. I am going to repeat what I said on Friday afternoon. This government has only a partial interest in corporation tax.

The hon. member for Hamilton-Wentworth should advance this argument on behalf of his constituents. During 1972, the corporations resident in his constituency will have to conduct their affairs under two different corporation tax sections.

Mr. Gibson: I rise on a question of privilege, Mr. Chairman. Most of my people are working people, employees. I have very few corporations in my constituency.

Mr. Lambert (Edmonton West): That is indeed a real question of privilege! The hon. member thinks that to identify with the word "corporation" is anti-labour. Some members think that the word "corporation" leaves a nasty taste in the mouth. Those people who are doing business and employing people in the hon. member's constituency are operating corporations. It is a corporation when two painters put the word "limited" behind their company name. I can also refer to the constituency of the hon. member for Bonaventure-Iles de la Madeleine. Any company in Quebec with the letters "Inc." or the word "limité" behind its name is a corporation. This applies where two small individuals are running a trucking business. I am not talking about the big corporate organizations. As we mentioned in discussing section 74, even a husband and wife who incorporate their grocery store, dry cleaning business or whatever it is, are operating a corporation. If those are not the people about whom the hon. member is concerned, then he is wrong.

In any event, any small business that is incorporated in Ontario is going to have to operate under two different sections. What right does the federal government have to say to the provinces that they must amend their acts in order to conform with ours? The federal government has no greater jurisdiction with regard to income tax than do the provinces. The only reason we have one main act is the ease of collection and universal interpretation. How-