

● (1530)

So long as an existing tax is not increased, any modification of the proposed reduction may be introduced in the committee on the bill, and is regarded as a question not for increasing the charge upon the people but for determining to what extent such charge shall be reduced.

Therefore, I must rule Motions Nos. 2 and 3 in order. They shall be debated together and voted on separately.

Continuing debate on Motion No. 4, at the expiry of which I would assume we would go to Motion No. 2.

**Mr. Keith Penner (Cochrane-Superior):** Mr. Speaker, I would like to comment briefly on the amendment standing in the name of my hon. friend and colleague from Saint-Henri-Westmount who seeks in Motion No. 4 to deal with a clause in Bill C-84 which has a very profound and serious effect upon the income tax system of this country. It is an effect which my constituents are going to feel increasingly over the years. What Clause 65 in Bill C-84 does is to partly end a very important and prominent feature of the Canadian income tax system, namely, the system of indexation.

Members of Parliament who have been in this Chamber for a while will certainly recall, as I do, that it was no less a distinguished Parliamentarian than the Hon. Robert Stanfield who first proposed in this House that we ought to have a system of taxation which was fully indexed. He proposed that the tax brackets and levels of exemption ought to be adjusted each year in accordance with the increases in the Consumer Price Index. Mr. Stanfield made that proposal to the House at a time when those who were engaged in public policy thinking were obsessed with the problems of inflation. They looked around our society and saw that there were many individuals who benefited from inflation. Certainly, those people who had made significant loans in order to purchase houses, apartments and land at, say, 6 per cent, were the beneficiaries of inflation. However, they were in the minority. The majority of people who were just able to make ends meet, who day by day made their payments on their homes and cars, and who had to struggle to get increases in wages to match even the Consumer Price Index, were in trouble. They were devastated by inflation. Therefore, there was a lot of thinking going on as to what we could do as a Government and as a Parliament to deal with the economic problem which was causing such severe problems for so many.

I do not suggest for a moment that it was Mr. Stanfield who, in his own mind, developed the idea of having an indexation provision in our tax system. However, he took what public policy thinkers had developed and brought it here into the precincts of Parliament. I am proud to say that it was my present Leader, the Right Hon. Member for Vancouver Quadra (Mr. Turner), then the Minister of Finance, who took up this idea of indexing the income tax system and who engaged in a very extensive and significant national debate. He went around the country arguing much in the way of, I suppose, a devil's advocate, that to put an index system into our tax structure would cause very serious problems for the Government. He argued that it was not that useful an idea from the point of view of the Government protecting its

### *Income Tax Act, 1986*

revenue position. However, the then Minister of Finance came back from that national debate convinced that this was something which ought to be in our income tax system because it was fair, just and equitable. Therefore in a Budget which was introduced at that time we had a fully indexed tax system brought into effect. In fact, we gave leadership in the free world in having a fair tax system.

We now had a taxation system, with an index system built into it, which ensured as far as possible that the effective rates of tax at any level of income measured in terms of constant purchasing power would not change as a result of changes in the purchasing power of the dollar. Second, it avoided an automatic erosion of the real value of the various personal exemptions due to inflation.

I look upon indexation of the tax system to mean very simply that the Government cannot live off the avails of inflation. It cannot benefit from the effects of inflation which devastates so many of the people we in this House represent. Indexing meant that the Government, if it needed more dollars for justifiable reasons, had to add to its revenue in a very direct way. It had to put it into a Budget. It had to say there was going to be a tax increase, it had to indicate what the money was going to be used for and it had to bring that to Parliament.

Indexation prevents the effective rates of taxation from just increasing automatically. It prevents the value of personal exemptions from declining automatically every year into the indefinite future so long as inflation at any level continues. What does Bill C-84 do? It is true that Bill C-84 does not bring an end to the indexation system in its entirety. What it does is to end the first 3 per cent of the indexation system. What we have now is 3 per cent per annum added on to the tax burden of our citizens. At first blush, that does not seem too serious in a single Budget in a single year, especially at a time when we have a very large national deficit. However, think for a moment, Mr. Speaker, of what this means over a longer period of time. What does 3 per cent per annum over a period of, let us say, 10 years mean? Let us take a married taxpayer who does not have dependent children. That person has personal exemptions in 1985 terms of \$7,700. In 10 years that will be eroded by 26 per cent. He will then have a personal exemption of only \$5,730. In a 20 year period, those exemptions are eroded in value by 45 per cent and he will only have an exemption of \$4,225.

Right now, as you know, Mr. Speaker, the top rate is about 50 per cent. That top rate kicks in at just over \$62,000. As a result of Bill C-84, in a 10 year period of time, the top rate of taxation is going to begin to take effect at the much lower level of close to \$46,000. In 20 years the top rate of taxation will begin to take effect at \$33,000. I am sure Hon. Members must be wondering why the Minister of Finance (Mr. Wilson) would want to bring in with Clause 65 of Bill C-84 a partial ending of the indexation system in our tax structure. Why did he do it? Obviously he needed a large quantity of dollars, something in excess of \$600 million, in order to pay for another benefit which is going to be given out as a result of the