

Income Tax Act

dence clearly indicates that it is not serious. The evidence is that the government is determined to make the Income Tax Act more complex, and I think the changes with respect to small business, professional and management service companies is a good example of how this is becoming more complex at a time when we need simplicity.

● (1540)

The second argument is much more fundamental, and that is the fairness argument. May I say, with respect, that I do not think anything we heard from the parliamentary secretary—whom I am glad to compliment on his fairness and patience in dealing at length with our questions over the past couple of days—addressed the question of fairness and, I suggest, it is the philosophical difference between our parties which lies at the root of this. I think the Conservative party tends to see the tax system as a means of granting certain benefits to individual groups which they think will create wealth, and invest well. We in our party tend to look at the tax system more as a means of collecting public revenue in a way that is fair so that the problem of fairness between different taxpayers is understood and is seen to be true in the tax system.

Of course, these are legitimate arguments in our capitalist society, and it is important for the people of Canada to recognize that there is one party that is talking about fairness and that another party is talking about incentive and accumulation of wealth, and over here there is still another party which is talking about nothing.

Some hon. Members: Oh, oh!

Mr. Rae: I was referring, of course, to the Liberal Party of Canada. But there are other aspects of this bill that are equally demonstrative of the incompetence of the previous Liberal administration and the very real problems that have been caused to our public revenues because of their having been in government. I am referring, of course, to the situation which was described to us today in response to questions from me and from the hon. member for Saint-Henri-Westmount when we asked how long this abuse with respect to income debentures will last. The answer was that there was a series of quantum leaps in the amount of money that was being accumulated in term preferred shares and income debentures. We started with \$700 million, we went on to \$3 billion, then to \$7 billion, and finally the Liberal party woke up and said, "Hey, wait a minute, something is happening. A large number of people are not paying taxes and the effective rate of taxation of banks has gone way down." Finally, the switch is hit and the light turns on those ministers who are responsible for the management of the Canadian economy.

Just as we have a government which foolishly decides to index the income system at the same time as there is a significant increase in expenditure so that our revenues are falling at the same time as expenditures are increasing—which is a recipe for disaster, a recipe originally suggested to the government by the present President of the Treasury Board (Mr. Stevens)—so too we see, in the very significant matter of

term preferred shares and income debentures, a government that fails to act when a system of tax avoidance is being created in the market place which hits at the very heart of the public Treasury, the capacity of the government to collect revenues and to monitor what is going on in the market place to see that there is no unfairness.

There was unfairness, and the Minister of Finance has admitted it today. He has admitted that the original purpose of the income debenture was to aid those companies that were in financial difficulty as a result of the great depression. Those companies which have now taken advantage of the income debenture and which took advantage of the income debenture after 1974 were not companies in great financial difficulty. They were companies which had no taxable income as a result of other giveaways, other fast write-offs and other incentives given to them by the Liberal party. So just as we hear so often complaints about double taxation, the Liberal party has created a situation and allowed it to exist, not where there was double taxation, but where there was double avoidance, or triple avoidance if you like, because there is avoidance by the banks and avoidance by corporations which take advantage of the scheme of income debenture, and there is additional avoidance that takes place as a result of fast write-offs and other depletion allowances that put companies in the position of having no taxable income.

I think the time is long past when we had to have in Canada a system of accounting for our public revenues which would allow us to ask ourselves whether it is in the interests of Canada that some of our major corporations should pay virtually no tax, whether it is in the interest of either fairness or of the long term economic future of Canada. I think it was Mr. Eric Kierans, formerly a minister in the Liberal government in the 1960s, before he could not stomach it any longer and resigned, who pointed to the very danger of the system of capital depreciation allowances and the system of investment credit which did nothing for employment and nothing to solve the basic dependence of our government on foreign resource investment. This is what lies at the heart of our taxation system and this is what lies at the heart of the policy of the Liberal government, and this is what lies at the heart of the measures that were proposed by the former minister of finance in his budget. I am sorry to say it has been accepted almost completely by the current Minister of Finance.

I think we had a good and full debate on this matter, Mr. Speaker, and we in our party have not attempted to hold the debate up. We have, however—and we make no apology for it—attempted to raise those issues of importance to the Canadian people with respect to the fairness of our tax system, and we have attempted to improve the ability of members of Parliament to retain control of the purse.

Of course, it is not strange that members of the Liberal party did not participate in this debate to any degree because if there is one thing in which members of the Liberal party have specialized in the past few years it has been ignorance in terms of controlling the purse, and lack of interest in seeing that parliamentarians are knowledgeable and interested in the

[Mr. Rae.]