The Budget—Mr. Lewis

to the tax avoidance which he mentioned in a speech. He said if he was to give all the instances of tax avoidance, it would take him a whole night or a whole week, I forget which.

This preference for capital gains will be an absolute Roman holiday for the tax lawyers and tax accountants when they look at the books of the corporations and individual rich Canadians. There will be a lot of juggling and interpretations made to place certain earnings under capital gains rather than under income. The treasury will not only lose by its failure to tax the whole of capital gains, as it should have done, but it will also lose by the immense loophole that is opened by this distinction between one kind of earning and capital gains.

My second point is that all the inequities in our system remain because the limited ceiling that was suggested in the white paper on expenses, entertainment and related matters of corporations and executives has been removed. There is now no such ceiling. All the games that have been played up until now with expense accounts, expense allowances, the expenses of corporations and their executives will continue to be played. There is nothing in the new so-called reform system that places a ceiling on expenses. There is nothing that closes any of the loopholes through which hundreds of thousands, if not millions each year have crept in defiance of justice and equity. When you compare the concession the minister has made to corporations and executives with what he has done for the ordinary working men and women in this country, you see the kind of double standard that still controls our tax system.

Some hon. Members: Hear, hear!

Mr. Lewis: When it comes to the working men and women, the minister left what he suggested in his white paper. He made no change for them. They can deduct their expenses connected with earning their living at 3 per cent up to a maximum of $150 a year. There is no limit for the corporations and the corporation-executives. For seven million, eight million or nine million Canadians, or even more if you add management personnel and the like, there is a limit of $150. That double standard remains as it has always been in our tax system.

I now come to my third reason for saying that all the inequities, injustices and, in some respects, stupidities of the tax system still remain. I refer to the whole complex of capital allowances that are still there. The special concessions to the mining and oil companies are still there. I know, of course, that the three year tax holiday for mining corporations is to last only until 1972 and the present basis for depletion allowances is to be changed in 1976. Until 1976 the same sort of system will be in effect in Canada. Even after 1976, although the basis for depreciation allowances is going to be changed—it will be based on earned depletion—the iniquity of that kind of allowance will still remain in our tax system; the same principle is continued.

• (3:30 p.m.)

Almost all of these for the most part large corporations, for the most part foreign owned, are involved in depleting our non-renewable resources and shipping them out of Canada without adequately refining, smelting or developing them as well as without developing industry around them. In addition, they are going to have the tax advantages they have enjoyed until now. Why are we in such a hurry to benefit such corporations? What is it that makes this government and so many members of this House so anxious to help have our non-renewable resources depleted at so fast a rate, at a time when the world is growing shorter and shorter of resources, especially the United States? If we were to do some planning in Canada we would realize that some years hence these resources will be needed by a hungry world even more than they are today; but Canada's resources will have disappeared.

Some other country may have held on to their reserves which they will be able to make available to the new nations of the world as they develop, but many of our resources will have been depleted at a cost to the Canadian people. Large, foreign-owned corporations make immense profits despite the fact that they drill dry holes and that explorations are frequently without result. That is all part of the game. Despite that, the large, foreign-owned corporations as well as large Canadian ones have consistently made huge profits at the expense of the Canadian people as a result of tax allowances given to them.

I think it is necessary to place on record some of the figures that the hon. member for Duvernay (Mr. Kierans), recently resigned from the cabinet, put before a group of Canadian economists some weeks ago in St. John's, Newfoundland. I have spoken to some men and women who were present at the meeting and have not heard or seen anywhere any valid criticism of the facts that the hon. member placed before that august body. At page 15 of his speech he said this:

> In 1968, for example, book profits reported to shareholders—

For the whole complex of corporations, I might add.

> —amounted to $8,350 million while taxable income reported to the Revenue Department amounted to $5,021 million.

What this means in simple terms is that Canadian and foreign owned corporations in all these areas paid tax on only 60 per cent of their profits, namely of $5 billion, no tax being paid on $3.3 billion. This means that the ordinary working people of this country made up the difference. The hon. member for Duvernay went on to say this:

> The main components of the difference in 1968 were:
> (a) non-taxable Canadian and foreign dividends of $1,269 million, a measure of interlocking control;
> (b) $495 million in the excess of capital cost allowances over audited depreciation;
> (c) $310 million in exempt mining income;

Over $300 million in one year exempt income for mining corporations!

> —(d) $213 million in depletion and
> (e) $284 million in gains on capital asset.

Part of the last category will soon be taxed by the proposed capital gains tax, but only to the extent of 50