

Mr. FULTON: Mr. Speaker, I do not mind dealing with interruptions when I know what they are; but I cannot deal with them when two or three of them come in at the same time.

The fact that these limitations were used by way of illustration was referred to, as I say, by the Minister of Agriculture and by the hon. member for Restigouche-Madawaska (Mr. Michaud). But the operative words used by the hon. member for Muskoka-Ontario are found at page 2803 of *Hansard*, where he said:

Let me say that by middle class I mean people, neither rich nor poor, who have a great desire to look after themselves, to provide for their present and for their future, and to be beholden to nobody, not even the state. They used to be regarded without question as the backbone of the community.

In discussion with the hon. member for Muskoka-Ontario—and it is regretted that he is not able to be in the house at the present time, owing to illness—I mentioned this fact to him and he agreed that the income range which he gave was perhaps given without a great deal of consideration. He said that he merely mentioned those figures in passing. He said that had he considered the matter carefully, or had he intended accurately to define the incomes of the group of people about whom he was speaking, he would have named a much lower figure. But he was not thinking of figures at all. As I have said, the operative words were his reference to that great group who are trying to look after themselves and, “to be beholden to nobody, not even the state.” And in that group the hon. member agreed with me that he would have included all those who are engaged in the farming industry.

It is undeniable that indirect taxes hit this group, who for the most part have larger families than other groups, and hits them much harder than those with higher incomes. One has but to think of the taxes on such things as shoes, cigarettes, tobacco, tableware, and amongst other things, the indirect tax on soft drinks. I say that because it is the people with families who are hit most by this particular two cent tax—this is a tax which they must pay when their children buy soft drinks. But the same principle applies to all indirect taxes.

In addition one should take into consideration the effect of increased prices. The luxury tax, so called, of twenty-five per cent, and the eight per cent sales tax, are applied to the end price. If prices go up, taxes are correspondingly increased, because the taxation is levied as eight per cent on the total cost. That is why it is called a regressive tax.

We submit there is room for a reduction of these taxes. It should be remembered that

this year there is a saving of government expenditures, through the removal of subsidies, to the amount of \$208 million. Yet this tax reduction is not being passed on. There is an income tax reduction of only \$110 million this year.

I should like to deal here with another portion of the remarks made by the hon. member for Dauphin, when he said that the official opposition was inconsistent when it advocated the immediate removal of all price ceilings—which, incidentally, it did not do—and then turned around and said, “You have allowed the cost of living to go up, and yet you have not given any relief in taxation.” The fact is that by the removal of subsidies, which admittedly have had the effect of increasing prices, the government will have saved \$208 million. But in the form of tax relief there has been passed on in 1947 only \$110 million, thus leaving nearly another \$100 million which might have been available in the form of tax relief. That is one point.

The other is that the only relief which has been given has been relief from direct taxation. The point we make in our amendment is that there should have been greater relief from indirect taxes which increase the cost of living. If the minister had removed subsidies which increased the cost of living, and at the same time removed indirect taxes to the same extent, the net effect on the cost of living would have been the same. Our point is that that great group of middle income people with large families should have been given this relief. Then, not only those who pay taxes, but also those who receive incomes which do not place them in income tax paying groups, would have received relief to meet the rising cost of living, and our financial position would have been placed on a sounder basis.

I should like to give a few figures with regard to the actual proportion of income derived from indirect and direct taxation. The hon. member for Dufferin-Simcoe (Mr. Rowe) dealt with this at some length, but I think the picture is even worse than he painted it. It should be remembered that only \$1,005 million is being raised this year by indirect taxation as against \$1,045 million being raised by direct taxation. The figures as given by the Minister of Finance at page 2552 of *Hansard* show a total of \$1,045 million being raised from indirect taxation and a total of \$1,155 million from direct taxation at the 1946 rates, before the tax reductions were applied. But the reductions in taxes subsequently announced have the effect of taking off \$40 million from the indirect and \$110 million from the direct, thus leaving, as I say, \$1,005 million to be raised by indirect taxation