

*Income Tax Act and Related Acts*

**Mr. Mike Cassidy (Ottawa Centre):** Mr. Speaker, the Hon. Member for Laval-des-Rapides (Mr. Garneau) spoke about the next election. It is clear that the Minister of Finance (Mr. Wilson) and the Minister of State for Finance (Mr. Hockin) have already gone off to fight the next election, together with some 208 of their colleagues. Frankly, I regret that fact when the Opposition acts responsibly on a matter such as tax reform, and acts as we have had to, to expedite a Bill that we think is unfair, wrong, and unjust. Nonetheless we understand if this Bill is not sent through the House in the next couple of days, taxpayers, businesses, companies, and individuals will be faced with a period of prolonged uncertainty, and quite possibly not know until the beginning of 1989, whether or not the new or the old tax system applies for the tax year 1988. On your behalf, Mr. Speaker, I want to express regret that the Minister of Finance and the Minister of State for Finance feel so insecure about their constituencies that they have chosen to go there at this time.

I want to talk a little about the process under which we considered tax reform in the finance committee, and I want to talk about the whole question of fairness. For the New Democrats that is the fundamental question in this whole question of tax reform. When my time expires, if Hon. Members wish to ask me some questions on that, I would be happy for them to do so.

I wish to speak first about the finance committee. It is at the leading edge of parliamentary reform. It is a strong and able committee, and members co-operate. Despite his right-wing tendencies, the Chair of the committee works, perhaps in an unusual way but in a way we tend to find sufficiently fair that we can co-operate. As a consequence, the finance committee has contributed a great deal to the process of tax reform since June 18, 1987. We have had lengthy sessions and hearings. In fact, we have done a great deal of the work of the Finance Department and of the Government for them.

What has come out of that? What I can see is that a number of areas have seen changes in the tax reform because of the work done by parliamentarians from all Parties to improve tax reform proposals of the Government, or in order to try and eliminate some of the most egregious and objectionable portions of that Bill.

For example, the whole proposal that all farmers be put under a form of accrual accounting, which was absolutely unacceptable to commercial farmers across the country, has been removed. I believe that one of the reasons was the recommendations of the finance committee. Through amendments, we have been able to improve the provisions for automobile expenses for those who are self-employed and individuals who use their automobile for business purposes. There was an element of injustice in that issue on which many people spoke to us.

The Government finally had to back down on its decision to eliminate the flow-through share mechanism as a means of encouraging economic development in areas such as northern Quebec, northern Manitoba, and northern Ontario. That was because of the efforts of communities across the country and also because of the efforts of the finance committee. Dare I say

that it was also because of the efforts of the New Democrats who have always indicated that, where a tax measure has obvious benefits in terms of being productive and can also be designed in a way that is not unduly expensive, it should be gone through with and not be rejected out of hand. It was for that reason we were prepared to work with the committees to ensure the maintenance of the flow-through shares, despite the initial opposition of the Government.

Likewise, a new set of incentives has been brought forward in order to help to encourage the Canadian film industry. This is another area where the Government proposed amendments that would have been crippling to the continuation of that industry. We were able to get some movement in terms of the construction industry and small development firms. We were able to get some movement in order to roll back the decision of the Government to basically disallow many research and development expenditures for tax purposes. We were able to get a modest increase in the child exemption tax credits, but only for the third and subsequent child. Those are some areas where the committee was helpful.

• (1230)

It bothers me—and it is a bit like today—that when the finance committee met there was not a minister nor a parliamentary secretary there. All we had from time to time were officials. Many times we did not have them. There was basically an executive assistant, middle level political official from one of the Minister's offices keeping an eye on things and no more than that. There was no one who could negotiate or discuss with the committee and say: "Yes, I understand what you mean" or "I don't know where you guys are at" and make us clarify our concerns. As a consequence, the finance committee, whose work I believe deserved respect, was like dealing with a black hole. We put in our recommendations and hoped something would happen but in the end in many cases nothing did.

Let me give you some examples. The committee recommended that business meals taken if a person were out of town on business for more than a day should not be penalized as is the case with other business expenses. That was not acted upon. We recommended an alternative minimum margin tax on financial institutions that would have brought in \$500 million a year in extra revenues and would have enabled financing of a number of constructive recommendations which the finance committee made.

The Government turned around and increased marginally the capital tax, a measure which everybody agrees is antiquated and I do not think exists in any other industrialized country in the world. The committee recommended that the Government should seriously reconsider its proposals on anti-avoidance. They are unworkable and likely will result in years of litigation. We were acting on that on the recommendations of the Canadian Bar Association and the Association of Chartered Accountants with their great expertise.