

Personal Exemptions

individuals and families that is important. This point was emphasized in the Carter Commission report.

In passing I should like to refer to the cost of personal exemptions to the federal treasury. I think it is important to bear this in mind because, every time an additional exemption is given, less revenue comes in and this must be made up from some other source. This cost is not insignificant. In 1967 it amounted to \$16.4 million. By 1972 it had risen to \$29.2 million, or almost double.

The personal income tax is an extremely important component of the revenue system of our country. I am sure all hon. members appreciate that. In 1966-67 this source of taxation brought in \$2.5 billion to our federal treasury. By 1973 this amount had risen to \$10 billion, or four times as much. It now forms 40 per cent of the over-all government revenue. I say this again to emphasize that at all times we must be most careful how we tinker with this particular area of revenue, bearing in mind that it represents a large proportion of the over-all government revenue.

An important point we might bear in mind as well is that persons who are non-residents of Canada also pay Canadian income tax on any income they receive which has been derived in Canada. Furthermore, since 1972 we have added to the income tax base 50 per cent of all capital gains income. This is now included as part of the tax base.

One of the complications faced by taxpayers outside the province of Quebec is that both the federal and provincial income taxes are calculated on the same form although they are now computed by separate calculations. This gives rise to assumptions on the part of many taxpayers that they are being assessed by the federal government for the total amount of taxes they pay. I think this is a rather unfortunate attitude because it is very important, when talking about exemptions or the amount of taxes being paid, to consider the very significant inroads provincial governments now make in the area of personal income tax.

In order to have equity, taxes should be allocated according to one's ability to pay. This has led directly to our progressive tax rate system that has been developed over the years. Also, the tax base should endeavour to include all receipts, gains, and benefits realized during the year. This government has endeavoured to incorporate this latter recommendation, which again flowed from the Carter Commission report, in recent years. Today we have a multitude of deductions available, which I might add relate to the personal exemption field because they have been added to the personal exemptions. There are now deductions which were not available in years gone by. I think it might be useful to look at a few of these, some of which have been with us for years and some of which are fairly new.

We now deduct contributions to employee pension plans, premiums under the unemployment insurance plan, alimony payments, union dues, 3 per cent of salary to a maximum of \$150, child care expenses, expenses involved in moving to a new place of employment, and tuition fees. In addition there is an automatic provision for averaging income which is done by the Department of National Revenue in years when one's income fluctuates to any great degree. I think these are all important and signifi-

[Mr. Martin.]

cant matters which should be looked at when discussing the level of personal exemptions.

In conclusion, may I say that a married taxpayer can now find himself in a position where, if he has three children 16 years of age or older, the family may have an income of up to \$7,000 without being subject to any federal income tax. I think this is a most significant improvement over the situation which prevailed some years ago. In my view we have achieved a great deal of the concept the hon. member for Bellechasse seeks. I do not think we should ever stop looking at this area.

I very much doubt there will ever be another period of 20 years in which the matter of personal exemptions will not be reviewed. We know they are now automatically indexed each year. I do think that the government has made a very definite move in this direction, and I would not subscribe to the idea of placing an automatic deduction in the tax statute but would rather prefer to keep the indexing system we now have. Again I suggest that the figures at which we have arrived now are extremely close to what the hon. member is seeking, and for that reason I do not think that the motion is one that would be worthy of lengthy debate in committee.

• (1630)

Mr. F. A. Philbrook (Halton): Mr. Speaker, needless to say it is a privilege for me to join the debate today on motion No. 41, and I would like to extend my compliments to the hon. member for Bellechasse (Mr. Lambert) and to his party, the Cr ditiste party, for putting forward this motion, and particularly for the sentiments it conveys with regard to Canadian taxpayers.

Whenever proposals are made in the area of taxation to help the taxpayer, as they are from time to time, we find the usual reasons given each time for not allowing further tax concessions and, more often, for not allowing any further extension of social benefits. For example, there is the usual consideration of not decreasing government revenue, for whatever purpose that will serve. Related to that there is concern about having less money for government programs that are requested or will be requested in the future. There is also the argument that whenever more money is turned back to the public, this can have definite inflationary effects, particularly in inflationary times such as we are experiencing now.

Furthermore, it is argued that the government has already made many tax concessions recently, and in fact that is true. Many tax concessions, many financial concessions to the public, have in fact accomplished the same sort of thing as is proposed in the motion before us.

It might be argued that whereas it is certainly necessary in the case of lower income people to be relieved of the burden of personal taxation. On the other hand it is the right of everyone to pay taxes to contribute to the running of the country in proportionate amounts, of course, in amounts that people can afford to pay, even people at lower income levels.

Of course we know that the Cr ditiste party has been founded on certain financial theories of which they are duly proud, but with which our own party does not necessarily agree. I should like to concentrate on one point I mentioned, that in fact the present Liberal government