

*Income Tax Act*

partial recognition of the particular nature of the co-operative movement.

I hoped that the Minister of Finance (Mr. Benson), in addition to introducing a progressive tax provision whereby each co-op would pay over ten years only an escalating percentage of the increase in taxes they will thereafter have to pay, would give as much consideration to my second suggestion demanding that appropriate selection provisions be included in the tax treatment of the different co-operatives. It is because, as much as the government and probably more so, I so fully support the principle of tax equity that I would like the new tax system for co-operatives to apply only to those which obviously and effectively tend to compete with other ordinary companies.

I regret very much that consideration has not been given neither to the level of development reached by individual co-operatives nor to their type of activity and other factors which would be significant indicators as to each one's ability to come under the new tax system.

I ask the government to reconsider the matter and try to understand, for example, that a small farmers' co-operative in Quebec or in the Maritimes cannot be treated on the same basis as a huge Prairies wheat pool.

The Social Crediters would be most happy if the government would set up guidelines enabling the small co-operatives to still be subject to the present tax system until such time as their growth level and development will allow them to be integrated, like the flourishing and strong co-operatives, into the proposed tax system, unless naturally the government simply gives up the notion of capital employed.

This additional mitigation which I advocate would bring at least a measure of respect and confidence towards the co-operative movement, for due to unconditional tax leveling and no longer to simple tax fairness, it would be inconsistent to lay upon small co-operatives a burden which they would not be in a position to carry.

It seems very interesting to spread the cost over a period of ten years, but it remains nevertheless that there will then be other newly-formed and little developed co-operatives which will also have to abide by the same tax regulations which will have by then come to full maturity and will simply apply with all their severity.

We must therefore state again that co-operatives are above all associations of men who pool their efforts, and are not simple aggregations of capital. It cannot be said too often, because it is imperative, to my mind, that the marked difference be recognized.

I also point out that values such as "work" and "co-operative effort" override any other essentially material consideration. Finally, it may be useful to add that the co-operative movement cannot be conceived as a dangerous industrial or commercial trust; instead, it should be considered as a wholesome extension of the current notion of enterprise, which enables our present system to be more humane, more equitable and better suited to the needs of individuals.

• (9:30 p.m.)

In closing, I should like to recall some of the positions adopted by the co-operatives after the Minister of Finance introduced his amendments.

The co-operatives did not ask, and are not asking, to be exempted from corporate taxes on voluntarily retained earnings. They merely ask not to be forced, through an arbitrary formula, to retain their earnings. In other words, they ask that their structures and their own operating rules be respected. This is what the president of the Co-operative Union of Canada had to say in his letter to hon. members:

Patronage dividends constitute one of the main sources of funds to ensure the liquidity required to maintain a stable capital structure and to improve the services required by the members.

And he added:

The members, by contributing to the capital of a co-operative, are not investing. Above all else, they aim to improve and extend the services they need, and receive at year end dividends in proportion to the use they made of those services.

The Finance Minister's press release of October 28 last recognizes that co-ops have special obligations because of their capital movements. The amendments introduced are no doubt a step in the right direction. I welcome them but on the other hand I would ask the minister to see if other relief measures would not be possible, especially for small or average co-ops. According to the release, discussion showed that amendments were necessary in order to take into account certain aspects and certain needs of these establishments.

I would like to add that if some progress was made, it is first due to such organizations which have succeeded in efficiently bringing forth their views and drawing them to the attention of the political power. I congratulate and encourage them to persevere so that the representatives of the people be always better informed of the needs and aspirations of the people who, on the other hand, would be able to consider Parliament and the legislative mechanism, not as the docile instrument of an omnipotent government, but as the expression of the will of the sovereign people.

This afternoon, my colleague, the hon. member for Roberval (Mr. Gauthier) dealt with the effects of Bill C-259 and particularly with sections now before us regarding caisses populaires and credit unions. I wish merely to draw the attention of the government on the fact that we must again distinguish a co-operative service organization from a profit-making one.

On October 28, as shown on page 3 of the document, the hon. Minister of Finance made the following statement about credit unions and caisses populaires:

These corporations were exempted from taxation, but under the provisions of Bill C-259, they will be taxable generally in the same way as other financial institutions.

In my view, we should not consider the Caisses populaires as financial institutions enjoying the same benefits as chartered banks. Banking institutions enjoy privileges that are not awarded to the Caisses populaires or Credit unions. That is why I say these two types of financial institutions should not be taxed or imposed in the same manner.

It would also be perfectly logical to affirm that the credit so created by the banks, under a privilege granted to them, constitutes some sort of reserve which should be considered for taxation purposes. There is therefore a very great difference between the operations of these two types of institutions. That is why it is unfair to impose the