

*Income Tax Act, 1986*

attention to the revenue side and simply increased expenditures year after year in a totally irresponsible way.

I find that the amendments proposed by the Hon. Member do not ring true with me and I do not think they will ring true with the people of Canada. The problems were developed over a period of many years while the former Government was in office and while the Hon. Member was in office. This Government is moving in a totally responsible way to bring back into the control of Canada and Canadians the economic future and social programs that we all desire. However, until we get some kind of financial stewardship and responsibility in place, the former Government must continue to bear some of the blame.

**Mr. Nelson A. Riis (Kamloops-Shuswap):** Mr. Speaker, I am very pleased to rise to say a few words in response to the Hon. Member for Saint-Henri-Westmount (Mr. Johnston) and the Minister of State for Finance (Mrs. McDougall). I believe we need to look at this particular amendment and Bill in a certain context. Perhaps I can best explain the context in which we should debate this amendment by recognizing that the tax Bill we are amending is a Bill that assists some Canadians and in a sense punishes others. The gap about which Canadians have always been concerned between the rich and the poor will be widened as a result of Bill C-84. That is something about which many of us have been concerned for many years.

The taxing of only half of capital gains is an issue that we debate in the House regularly. The fact that we only tax half of capital gains cost us about \$440 million in lost revenue this year. That one provision that we virtually take for granted, which is that we only tax half of capital gains and would not think of taxing all of capital gains is something that we could certainly debate.

There are many other provisions such as ones which I could identify. Who will benefit from the provision that was introduced in the Budget which brought the upper limits of Registered Retirement Savings Plans to about \$15,000 per year? It will benefit those who have annual incomes of \$86,000. One needs that kind of income in order to even qualify for that limit. It is very clear that that provision will assist a number of Canadian families. It is very clear that it is on the Government's agenda to help those people whose incomes are in excess of \$86,000 to save for their retirement years. Good grief, how anyone could actually rise to make that argument in a serious way is beyond me.

The Government went on to say that it should only tax half of capital gains to begin with but that a number of people will not be taxed at all. Those who make capital gains by selling jewellery or foreign real estate do not have to pay any taxes at all. However, we have to get that tax money from some place so the Government said that it would do something a bit different. It said it would have people pay taxes on the inflationary value of their incomes.

Amendment No. 4 will restore full indexation to tax brackets and personal exemptions. The Government now has a vested interest in inflation. As long as inflation rises by more

than 3 per cent, the Government makes money. As my hon. friend has already indicated, the Government will make considerable money. In tax year 1985-86, \$80 million will accrue to the federal Government as a result of this provision. In 1986-87, that figure rises to \$570 million, and it will keep on rising until it reaches \$1 billion, \$2 billion or \$3 billion. The Government is going to tax the inflationary value of incomes and is going to collect billions of dollars as a result.

I find it surprising that a Government which indicates its concern for individuals and for those folks in communities who are struggling hard to build Canada would hit those same individuals with this provision. This year, \$570 million will be taken out of the pockets of individual communities and households across the country and dragged down to Ottawa to reduce the deficit or to make up for all of the other hand-outs that are being given to people through this same Bill. When the Government does not tax capital gains of half a million dollars, it has to come up with that money someplace so it is getting it from individual Canadian men and women. That is only one provision of this Bill. We are going to discuss many more of them.

It is totally unfair and unheard of that the Government is going to tell ordinary Canadians that they will have to pay extra in income tax and that it will have to be paid not on the real value but on the inflated value of their incomes. Again, this indicates very clearly the agenda the Government is using. The first 3 per cent of inflation will not be protected now. This tells me very clearly that the Government does not mind having an inflation rate of 3 per cent because it will gain by it. In a few years, the Government will be bringing in billions of dollars as a result of this provision. It sets a very dangerous precedent to have Governments gaining from inflation as this particular provision will enable the Government to do. That is why this amendment has been put forward.

I must say that we as New Democrats will certainly be supporting the amendment put forward by my hon. friend. It is going to cost Canadians hundreds of millions of dollars if the particular motion which we are debating at the moment fails. It is going to cost individual Canadians, and I think that is the critical point. Individual Canadians will have hundreds of millions of dollars taken out of their pockets this tax year and, therefore, will not have that money to spend in the local stores. They will not have that money to take their families out to a restaurant once a week. The money will not be circulating in cities like Moose Jaw. This is just one provision, Mr. Speaker, and unfortunately, we will be asked on a number of occasions to stand up and identify other provisions where the same process is under way.

• (1220)

I really hope that someone in the Government says a bit more than the Minister of State for Finance in terms of being against this particular amendment. How can it be good news for Moose Jaw or Chicoutimi to take hundreds of thousands of dollars out of the pockets of individual Canadians this year as a result of this tax measure and drag it down to Ottawa to