

Income Tax Act

cost of making a \$200 gift ends up at \$100 or less. On the other hand, the lower income tax payer deducts his or her gift from taxable income which is taxed at less than 30 per cent. The after tax cost to the lower taxpayer is therefore at least \$140. It is not fair, just or equitable.

What is even more important is that the charities keep telling us that it is not only unfair but is perceived to be unfair. It is loaded against the average person in favour of the affluent. Is it only the affluent of Canada that we wish to encourage to give? The tax deductions basis for charitable giving is the essential problem. No informed person can dispute that the community has come to a consensus on this question.

● (1420)

In the discussions which the National Voluntary Organizations leaders had with tax officials, they were not able to disagree with them. If that is the case, what should we be doing about it? For more than five years the voluntary sector has been putting before the Government of Canada and Ministers of Finance a solution. They have done so with consistency and with growing force, documenting and answering questions the Minister and his officials have brought to them. I am sure Hon. Members of this House have received submissions from voluntary groups on behalf of the give and take tax proposals.

The proposal is simple. Instead of deducting charitable gifts from taxable income, taxpayers should be able to claim a 50 per cent charitable tax credit. What this would mean to the two taxpayers I just referred to is this: the cost of their \$200 gift to the Canadian Cancer Society would be the same. It would be \$100 after tax. Most important, it would be fair and be seen to be fair. It would create an environment where taxpayers will be encouraged to support their charitable organization with government as their silent partner rather than regularly having government meddling and putting its fingers into the midst of their activities. It will also increase the accountability of voluntary organizations to their members and supporters. It will restore and eventually enhance the fiscal capacity of this sector.

Based on the take-up rate for the political tax credit, which Hon. Members will recall was first introduced in 1975, we know that even the highly motivated 1 per cent of taxpayers who support our federal and provincial political parties took several years to respond fully to the new incentive to give which Parliament had provided for them.

There is no reason to suspect that the much larger number of taxpayers who support Canada's 47,000 registered charities will change their giving behaviour any faster than those who support the political process. As taxpayers learn to become more generous to their community organizations, the forgone revenue, the funds lost in taxation revenue, will increase. We all know that a tax expenditure of this nature is nonetheless an expenditure.

The most important, basic and essential point seems to have escaped the present Government and the Minister of Finance, and it is that the new funds which will flow into Canada's

voluntary sector will be twice as large as the cost to government. Two new dollars will become available to the voluntary sector for each dollar of revenue forgone by the Government.

This is a deal which surely in the interests of the taxpayers the Government should not be passing up. It is twice as cost effective as a grant to a voluntary organization by the Government. It avoids entirely the danger of dependency which concerns not just organizations but also small business and, indeed, all thoughtful Canadians.

Hon. Members may know that over the years officials of the department of Finance have presented to the National Voluntary Organizations Coalition a continuing, changing cost analysis of what it would cost to bring in the give and take proposals. Always, however, the cost estimates have assumed two things: first, that taxpayers would respond very rapidly to the proposed changes; and second, that the new charitable giving would impose a heavy burden on our exchequer.

As to the first assumption coming from the tax department, it is simply unrealistic. There is nothing to show it would happen in the exercise of the political tax credit. As to the second, it is in effect a veiled endorsement of the give and take proposal because it is based on the assumption that the proposal, when implemented, will accomplish its basic objective, which is to invigorate that entire sector; that is, to take the pressure off government spending into many of the areas with which the voluntary sector has had a real and historic involvement.

It is important to remember that when our voluntary organizations raise money, they spend it on labour. They hire low and middle-income Canadians, many of whom are in the target group of this Government; women, handicapped and first-time entrants into the labour force. They train people, another target of this Government, in the areas of essential skills, in many cases irreplaceable skills, while responding to the problems of the community. The voluntary sector, quite apart from its volunteer labour, is, as I have pointed out, an employer of hundreds of thousands of Canadians. One can make the assertion that it is our most labour-intensive industry.

In its Throne Speech, the Government announced its intention to create a so-called national voluntary service. The Government has issued vague and contradictory statements since the Throne Speech which, either through design or incompetence, have confused the public. For example, the CBC national television news on the night of the Throne Speech reported to its audience that the Government intended to pay volunteers. If through re-packaging or new spending this Government intends to engage in further direct job creation through the voluntary sector, I urge it to consider whether looking to the longer term in our nation it is spending the taxpayers' money effectively for its stated purposes. The amount in question happens to be about the same amount as the Department of Finance has estimated the give and take proposals might cost.

Even discounting the erroneous assumption by Finance Department officials, I ask Hon. Members to consider the