

● 12:50 p.m.

Taxation Reform

It is my view that the rate of progression is too steep on the personal income tax, and that it is indefensible in the context of the present and proposed tax system to impose a heavier increase on the incomes of the \$10,000 to \$15,000 a year group than on the higher groups. Furthermore, let me say just for the record that I do not see anything sacred—again, certainly not in the context of the tax system proposed by the minister—about a 50 per cent maximum on the extremely wealthy. The 80 per cent limit would be absurd, particularly in the light of the capital gains tax, but, as I said, I do not see any justification for the rate of progression on the lower and the middle income tax as proposed.

The minister will no doubt talk about the billion dollars in revenue that is being dropped as a result of the increase in the exemptions. Let me point out three ways this loss could be overcome, other than by tax increases. First of all, the loss about which the minister speaks is computed on the basis of 1969 incomes, not 1972 incomes, and when allowance is made for inflation far fewer people will get the benefit of these exemptions or will be totally exempt in 1972. There will be still fewer of them in 1973 and still fewer in 1974. Therefore, the cost of the proposed exemptions will be far less than was suggested, and the minister is using an inflated figure because he is using the 1969 figures.

Mr. Benson: Take a look at the table at page 95.

Mr. Stanfield: I am taking a look at it and those figures are proposed on the basis of 1969 incomes.

Also, when you consider what a given tax structure will produce, and when you consider it in an inflationary context, you have to bear in mind that revenues from federal taxes, particularly income taxes, increase more substantially than the gross national product. In other words, government revenues rise even more than the rate of inflation. If, for example, there is an increase in the year of 5 per cent in the gross national product, the take of this government from the safe level of income taxes is substantially more than 5 per cent. This must be taken into account when one tries to compute what a particular tax structure will in fact produce. The minister has not made any attempt to tell us what that would be, and of course he cannot. But the committee must bear in mind that inflation is here, that it may very well

continue, and the committee should by no means agree to the rates that are proposed for the lower and middle income groups on the basis of any information that they have yet received from the minister.

Some hon. Members: Hear, hear.

Mr. Stanfield: Furthermore, the package that he has proposed provides just under \$200 million in additional revenue immediately, and some \$630 million after it has been in operation for five years, that is a 5.7 per cent increase in rates. In other words, the minister is using this device not only to bring about some reform but also to slip in a little tax increase at the same time, to the extent of \$630 million.

Mr. Paproski: Shame.

Mr. Stanfield: So, when the minister speaks about losing a billion dollars, one must put this in the context of inflation and what the incomes are likely to be in 1972. One must put it in the context of the additional revenue that the minister means to collect in any event, some \$630 million. It will then become apparent that there is no need to take this crack at Canadians in the lower and middle income brackets.

The minister has not made any case at all, particularly when one considers that these people are now paying substantially higher taxes than are paid in most states. In many cases these middle groups are composed of professional people and middle management groups who will be the leaders in the professions and management in Canada tomorrow, unless they are encouraged to depart to the United States.

As to smaller businesses, it must have been in the start of the life of the just society that somebody decided that smaller businesses do not really count very much. Certainly, there has been an open season on smaller business for the past year or two. The Postmaster General (Mr. Kierans) has added substantially to the cost of doing business. The so-called two level system of corporate taxation has been applied equally to small and large corporations, which is quite unnecessary I agree. Furthermore, I realize it has been subject to some abuses. But to abolish the lower rate in order to prevent abuse, and to end up by crippling many small businesses which in many cases will become the medium business of the future unless they are crippled, displays