

Income Tax Act

● (1720)

The fifth thing that I would like to point out that really affects personal taxes is what is called the share purchase tax credit. This tax credit would allow those corporations that are not required to pay taxes to be able to pass on to equity investors the tax credits that they might not be able to claim had those corporations been in a taxable position. Those who buy shares in Canadian corporations will be allowed a 25 per cent tax credit on the value of the shares themselves. I think that a real problem arises here in that many of the provincial Governments have similar kinds of programs and this creates what is known as stacking.

If people are going to buy shares and trade on the stock exchange, I would encourage them to buy shares in Canadian companies, but those people may well be in a position in which the costs for those shares are almost entirely covered by incentives from the Government. I think that we should note that these tax credits are financed, by and large, by the average Canadian wage earners, the majority of whom do not really invest directly in the stock market. This program itself is expected to yield some \$70 million to upper income Canadians, and I find that to be a little bit unfair.

I would like to turn to some changes this Bill makes to corporate taxation. There are two major changes on which I would like to spend a few moments. The first is the change to the investment tax credits. The 7 per cent tax which big business was able to claim for investing in new facilities will now be altered by this legislation, which will extend that 7 per cent ceiling possibly as much as 50 per cent, depending on the type of investment and its location.

The second big break for big corporations provided by big government is the extension of the loss carry-over provisions. Prior to the April Budget, corporations could spread losses over a number of years to help reduce the over-all taxable income in each year. Prior to April 19, corporations could carry back losses one year and carry them ahead for five years, making a total of six years. This legislation would extend that period of time by making it possible to spread the loss over three years back and seven years forward, making a total of ten years. This is expected to cost us about \$700 million more over the next four years. Again, there is some unfairness there in terms of the taxation of individuals, small businessmen and farmers as compared to big corporations which are helped out by this big Government.

There are a few more things, Mr. Speaker, which I would like to mention briefly. One is the special recovery tax. Beginning October 1, 1984, the federal Government will raise the 9 per cent sales tax to 10 per cent, will increase the federal levy on liquor and tobacco from 12 per cent to 13 per cent, and increase the 5 per cent construction materials tax to 6 per cent. These new rates will remain in effect until the end of 1988 and will raise some \$3.5 billion in revenue for the federal Government.

Another change under Bill C-2, Mr. Speaker, is to the Canadian ownership special charge. This year, that tax will raise about \$400 million. Next year, that amount will increase

to some \$965 million and by 1986, it will be more than \$1 billion. This is a regressive tax and it comes down heaviest on the middle and low-income Canadians.

I think there are some things which we must keep in mind, Mr. Speaker. First of all, as many other speakers have echoed, we must simplify the taxation system in Canada, especially as it applies to those people with middle and low incomes who cannot afford to hire accountants to go through the expensive exercise of preparing a taxation form at the end of the year. I put to you, Mr. Speaker, that in fact we should not be charging any income tax to Canadians who live on or below the poverty level. Those people are wage earners and are on some kind of a subsidy program. Perhaps some of them are on unemployment insurance or public assistance. Those people should not pay one cent of income tax.

The Government's tax proposals contained within this piece of legislation are based upon a trickle down theory. If we give enough tax breaks to the wealthy, eventually the benefits will trickle down to those at the bottom of our economic ladder. As the taxation system presently stands, investment is taxed at roughly one-half the rate of salary income. The latest Revenue Canada statistics indicate that of those with incomes in excess of \$60,000, more than half their income, on average, is derived from investments. Thus, tax breaks for investors always benefit the wealthy at the expense of the average Canadian who ends up paying for those tax breaks. That is unfair.

Wealthy Canadians are more than able to avoid paying tax by taking advantage of the numerous tax deductions permitted. For example, in 1981, the federal Finance Department pointed out that the average taxpayer with an income which, in 1979, was between \$10,000 and \$15,000, saved an average of \$771 on his interest through deductions, while in the same year, a taxpayer with an income greater than \$100,000 saved an average of \$46,000 through deductions, almost half of his entire income. The lower income Canadian saved less than 1 per cent of his income through tax deductions. Again, Mr. Speaker, that is very unfair.

This year, big Canadian corporations owe the big federal Government about \$25 billion in deferred taxes. If those deferred taxes were collected, it would almost wipe out the Government's annual deficit. I think the Government should look at collecting those deferred taxes. I believe that that is also unfair to the people of Canada.

As well, there is an increasing imbalance regarding who pays the general revenue in Canada. Looking at 1950, the year in which I was born, individual contributions to the general revenue of Canada amounted to some 50 per cent or 51 per cent, and contributions by corporations amounted to some 49 per cent to 50 per cent. There was a fair balance between the big corporate contributions to the general revenue and the individual taxpayer's contribution. If we look at the last Budget brought down by the Minister of Finance (Mr. Lalonde), we find that only 13 cents of every dollar in general revenue has been paid by the large corporations in the country. There is an increasing inequity there and I think that we must start addressing that question.