

Income Tax Act

the Opposition. Last week when speaking in this House, the Leader of the Opposition said he would hazard a guess that if the estate tax provisions were left in the bill they would produce the revenues necessary to make up the difference resulting from the tax cuts. That is a pretty hazardous guess, Mr. Speaker. It is almost as hazardous as the guess he made when he said that what Canada needs now is a tunnel to Newfoundland, or when he said Canada needs a guaranteed annual income, or when he said what it really needs is a heavy water plant in Glace Bay that will probably never work.

An hon. Member: Not even now?

Mr. Sulatycky: The wrong decision was in building it here. It should have been built in western Alberta.

I now wish to refer to the comments made by the hon. member for Winnipeg North Centre (Mr. Knowles) when he moved the amendment to which we are speaking. He took the time allotted to him in this debate to go through a history, but only a partial history, of the personal tax exemptions under our income tax laws. He tried to convince the House and the people of Canada that what is being done here does not, in fact, result in a substantial improvement in the personal exemptions allowed Canadian taxpayers. I want to go into a little fuller discussion than the hon. member did with respect to that particular aspect.

The hon. member started from a point in the 1920's. He said at that time the personal exemptions were \$1,200 for a single person and \$2,400 for a married taxpayer. During the depression years, in 1933, the exemptions were reduced to \$1,000 single and \$2,000 married. During the Second World War, they were reduced even further to approximately \$600 single and \$1,200 married. The hon. member then said that in 1949, when they were increased to \$1,000 single and \$2,000 married, they were only being brought back to the 1933 level. Mr. Speaker, I suggest that the only way you can examine this logically is to go back to the beginning of the income tax system in Canada and look at how personal exemptions evolved in the Income Tax Act.

Under the first Income Tax Act passed in Canada the exemptions were \$1,500 single and \$3,000 married, or roughly the level that they will be after this bill is passed. Of course, tax rates were lower then, and governments provided few services. In addition to that, the general tariff rate was between 35 per cent and 40 per cent, and many of the taxes in this country were hidden taxes. They were not direct taxes, evident to everybody, as is the income tax.

If you follow the course of personal exemptions from 1917 on, it is very evident that as the government increased its programs and the benefits it provided to the Canadian people, the tax exemptions became lower. They reached their lowest point in the early 1940's at which time the government had become heavily involved in a number of very important social programs. But from that time on we have had a gradually increasing level of personal exemptions, and the increase in the exemptions being provided by this bill are the largest that have ever taken place under the income tax system in Canada.

It is also important that we remember, and that we point out that the personal exemptions in Canada are the highest of any country in the world. This is something of which any government could be proud, and of which even Canadians sitting on the other side of the House can be justifiably proud. We can be even prouder when we put that together with the fact that we now pay the highest old age pensions and the highest veterans allowances in the world.

Mr. Peters: I don't think those are the actual facts.

Mr. Sulatycky: If the hon. member has facts to contradict what I have stated, let him get up and disclose them. Mr. Speaker, I took part in this debate for a particular reason. I had not intended to, but I received one letter and one telegram telling me to get in and fight for the people, and vote against this bill. They came from very prominent Conservatives in my riding, so I decided I should get in and fight for the people, and see to it that this bill is passed as quickly as possible in order that the ordinary people of Canada will get the benefits when the bill is enacted on January 1, 1972.

Mr. Randolph Harding (Kootenay West): Mr. Speaker, we had an interesting debate on the amendment moved by the hon. member for Winnipeg North Centre (Mr. Knowles)—

The Acting Speaker (Mr. Laniel): Order, please. I am told that the difficulty in the sound amplification system has not been solved, but if the hon. member could speak from the front row he would be heard. Would the House give consent to allow the hon. member to speak from a seat in the front row?

Some hon. Members: Agreed.

Mr. Harding: Mr. Speaker, we have had an interesting debate on the amendment moved by the hon. member for Winnipeg North Centre. I fully endorse it. Unfortunately, government members have failed to deal with the substance of the amendment. They have talked about everything else, but have carefully avoided giving reasons this type of tax relief should not be accepted by the House. The amendment which we are debating contains a very important principle. It suggests that a tax credit system be used by the government to provide tax relief to those who really need it.

What will this amendment proposed by the NDP do to the legislation before us? It will reduce the income tax rate on the first \$500 of taxable income from 17 per cent to 2 per cent. This will result in a reduction of tax payable on the first \$500 of taxable income from \$85 to \$10. It will, in effect, increase the exemption levels to about \$2,000 for a single person and to about \$3,300 for a married couple. It will benefit the most those in the low income brackets, although all taxpayers in the categories outlined in the paragraphs of section 117(1) will benefit to the extent of \$75.

Over the years we have had a series of studies on poverty in Canada. A number of groups have made surveys and listed recommendations for minimum income levels. It is time the government fully recognized this problem. It could at least set minimum income levels and