

present \$26—or \$28, which it would have been in December—to \$20, and which provides a yearly cash payment for each child of \$200 to mothers in families earning less than \$18,000, the minister tried to justify the necessity for cutting this \$26 to \$20 by saying, and I quote:

—we knew Canadians would not agree to pay more taxes and that there was no other source of funds than shifting benefits within the existing system, making it more fair and equitable.

The minister knows better. Indeed, in a speech from which I have already quoted, a speech she made to the YMCA in May of 1978, with regard to the tax system the minister said, and I quote:

The average taxpayer in the \$5—10,000 category benefited from various special personal income tax exemptions in 1975 to the tune of about \$237 per year. The average taxpayer in the over \$50,000 category benefited to the tune of \$5,592. And of course if you were too poor to pay taxes you would not have benefited at all. That may well be good fiscal policy and in some respects it is good social policy too—but still, it does seem odd that those who need the benefits most are least likely to get them.

When the minister was speaking two nights ago, I wished she had remembered the speech she made in May, because in May she was saying that the tax system as it is and as it has been—and as it will be after this bill is passed—has not been working properly nor in the interests of the poor. The other night she was saying that there was no other way to get the money needed to pay for the increase to those people whose incomes are less than \$18,000 except by reducing the \$26 per month payment to \$20. We in our party completely reject that kind of thinking because the facts do not bear out the argument made by the minister.

Let me refer the minister to a report—I presume she has forgotten it, if she ever saw it—made in November of 1976 by the National Council of Welfare. The report is entitled “The Hidden Welfare System”. The council did an excellent job of showing how the tax system under Liberal and Conservative governments, and in the last 15 or more years under a Liberal government, operates. Let me quote a few paragraphs from the council’s report. I think the following is a profound observation:

There are two welfare systems in Canada—one for the poor, the other for everyone else.

Most of us know about the welfare system for the poor. We are told about that ad nauseam by many well paid lawyers, accountants, university professors and other spokesmen who frequently speak on behalf of those who have, but we do not hear a great deal about how the tax system works as a welfare system for the wealthy. This is what the National Council of Welfare says:

While all of this is going on—

This refers to the welfare system for the poor.

—however, another massive spending program continues virtually unnoticed. Like the highly visible welfare system for the poor, this program transfers money from government to individuals. In fact it transfers far more money than the poor ever receive from their welfare system, and its benefits go to millions of persons. By any reasonable definition of the term it is a welfare program.

Only it is not called a welfare program. And its principal beneficiaries are most assuredly not the poor. It is called the Income Tax Act.

Family Allowances

I want to digress for a moment and say to the Minister of National Health and Welfare that this minuscule change which is being proposed in the Income Tax Act, while a step in the right direction, will not change the essential fact that, on the whole, our income tax system benefits those who need benefits the least, the wealthy. Then the National Council of Welfare went on to say in its report, which I commend to the minister, the following:

The mechanism which governments have used to make the ability-to-pay principle operational is a system of progressive rates of taxation. These rates work in a straightforward manner: The first few dollars of an individual’s income are not taxed at all; the next are taxed at a very low rate; the following are taxed at a greater rate; those after that at an even greater rate, and so on.

That is how the system supposedly works. As originally developed that is how it did work, but that is not how the system works at the present time, and I think the minister knows it. In its report the council gives examples.

Under the existing income tax provisions . . . a taxpayer is allowed to deduct up to \$1,000 in interest to arrive at his taxable income. Therefore, although this person’s real income is \$20,000, he only has to pay taxes on \$19,000 (his \$1,000 of interest income is tax free). Tax on \$19,000 is \$4,640—\$380 less than the tax on \$20,000.

That is just one example. In other words, a person with a taxable income of \$20,000, of which \$1,000 comes from interest on investments, gets a bigger benefit than a low income family with one child will get as a result of this bill.

● (1632)

It goes on and on. They summarize by saying the following about the tax system as it operated then, and it has not changed, except for the worse:

In 1974 the tax subsidies generated by the exemptions and deductions in the personal income tax system (excluding the basic personal exemption and the deductions for expenses directly related to earning an income) plus the tax subsidy contained in the temporary tax reduction provision cost Canadians \$6.4 billion. And this was, by no means, the total cost of the hidden welfare system in that year.

Mr. Speaker, \$6.4 billion is what the tax system gave to people, most of them in the upper income brackets. As a matter of fact, they go on to show in the report that the tax benefits for a person with an income of over \$50,000 average out of just under \$4,000 a year, to be exact, at \$3,989.78, while the tax exemptions, the various loopholes in the income tax system for a person with an income of under \$5,000, give him a benefit of only \$243.75.

I put those figures on the record because I want to reject completely the suggestion made by the Minister of National Health and Welfare the other night that there was no other way to get the money but to reduce the amount paid in family allowance to each child, from \$26 to \$20.

Let me conclude by putting on the record what we find has been done for the corporations of this country, mainly for the 1,000 largest corporations, in the way of tax concessions as a result of the recent benefits. We have calculated them to be \$1.25 billion, made up as follows: \$300 million in tax relief in respect of business inventories; \$485 million in federal investment tax credit; \$20 million in enhanced depletion for high cost oil and gas wells; \$120 million in increased dividend tax