

Taxation Reform

als would eliminate taxes for 750,000 Canadians. They would reduce taxes for another 3,000,000. About 800,000 would pay virtually the same tax, and to finance the relief to the lower income groups about 3,000,000 would pay more.

Our second objective was to see that the tax system interfered as little as possible with economic growth and productivity. Expenditure programs which tax finance foster economic and intellectual growth and the security of Canadians. But taxes taken by themselves interfere with economic growth and productivity. It has been one of our goals to try to design an income tax system which would interfere as little as possible with incentives to work and invest and with the direction our economy follows in meeting demands of consumers and other markets. In this connection we propose to give Canadian shareholders credit for half or all of the Canadian income taxes paid by their corporations, depending on whether they are widely held or closely held corporations.

Mr. Lewis: May I rise on a point of order? I hope this will not sound offensive to the minister because I do not intend it to be. I wish he would deliver his speech a little more slowly, perhaps by paying a little less attention to the extensive notes that he is looking at, in order that we may follow him.

Mr. Benson: Mr. Speaker, I will be very pleased to speak more slowly.

Mr. Lewis: I just want him to—

Mr. Benson: I hope hon. members will sympathize with me because I have a cold today and it is rather difficult to speak as loudly as I otherwise would.

We also propose to extend tax incentives to the mining and oil industries, although in a more direct and less costly way.

Keeping the tax system simple is an uphill battle, but we have tried. The growing complexity of our society and our economy requires a lot of rules if the tax system is to be fair. Nevertheless, we have tried to remove as many complexities as possible. For example, we propose to replace the surtaxes, the abatements and special taxes which have grown up over the past 15 to 20 years with a single, simple rate schedule. This would simplify tax calculations for all Canadians. Our proposals to bring capital gains into income include rules to reduce the difficulty of complying with the law. They would remove

many of the uncertainties of the present system. Now, a taxpayer is often unsure of the tax results of a particular transaction. He fears that unless he hires sophisticated advisers who can twist the transaction, he will pay substantially more tax than others with advisers.

This ties in with another very important fact concerning our tax system. Ours is basically a self-assessment system in which the vast majority of our taxpayers comply in all respects with the tax laws. Our system must encourage them to continue to do so. The best encouragement is to demonstrate clearly that others in similar or better economic circumstances will bear their fair share of the tax. This can only be accomplished by closing loopholes in the law, and by treating capital gains as income.

A final important goal is to design a tax system that the provincial governments will adopt for their income taxes. For the past 30 years the tax systems of the federal and provincial governments have developed in fairly good harmony. Should some provincial governments step out in another direction, Canadians would find it more difficult to comply. The time spent on their annual task of preparing returns might be doubled. And for those taxpayers who have interests in more than one province, there might be overlapping and double taxation. Since the publication of the royal commission report, we have met often with provincial ministers and officials to discuss the commission's proposals, and the provinces have made their views known to us. We have had those views in mind in the preparation of these proposals. Now, the government plans to continue this process by consulting the provinces about the white paper. The first meeting of ministers will take place about two weeks from now.

I should also like to mention at this point that in bringing forth the proposals for tax reforms, it was not intended to solve the problems of distribution of tax revenues between the provinces and the federal government. All the proposals are intended to do is build a fair system of taxation as a basis for taxing income in Canada. The distribution of tax revenue between the provinces and the federal government is another matter, and one which will undoubtedly be under continuing discussion, but it is not basic to these proposals.