

*Income Tax Act*

extremely unfair and the proposals put before us by the Government would make it even more unfair.

The basic principle of a decent system of taxation has to be ability to pay, and especially since the Provinces and the municipalities have regressive systems of taxation it is more important that the federal Government have a progressive system. Income taxes can be the fairest way to collect taxes. In potential, this is so, but with the system of loopholes that we have, unfortunately that is not the case. We have government by loophole, tax incentives, tax expenditures and tax giveaways. These tax giveaways are unprincipled and are a bad thing at any time, but these days they are especially cruel. Average wages and salaries have not kept up with the cost of living. People are spending more money on rent, on paying their mortgages, on food, on extra billing for medical care, and then taxes are going up as well. People on the old age security pension are capped by the six and five program and, by and large, private pensions do not have cost of living indexing. This is certainly the wrong time to increase tax giveaways to corporations and shift more of the burden on to the ordinary people who have additional bills to pay.

Income in Canada is distributed in a very uneven way. The tendency is for these inequalities to increase. The top one-fifth of Canadian people in terms of income, manage to get 40 per cent of the national income while the bottom one-fifth get only 4 per cent of it. Most people would accept that some inequalities are functional for the system, but when the bottom one-fifth of the population in terms of income gets only 4 per cent of it, I think we have to ask questions. We know this means real poverty for large numbers of people—the elderly, elderly women, heads of households, single parent heads of households who are mainly women and their children, a lot of native people, and recent immigrants who are working at the minimum wage. It is not just a question of inequalities, it is a question of real hurt. Yet we have a tax system which continues to collect money from even poor members of our society and there are enormous loopholes for those who are better off.

● (1620)

*[Translation]*

In 1981, at least 239 people earning \$250,000 or more did not pay a cent of income tax, and about 8,000 people earning incomes of over \$50,000 did not pay a cent, while 134 taxpayers who declared incomes of \$1,000 or less had to make payments to Revenue Canada.

The Government is harassing people who have received unemployment insurance over-payments. Women who are single parents go to jail for theft and welfare fraud. These women are forced into this by necessity, because their benefits are not adequate. This is a disgrace for a country as rich as ours! I think the issue of justice is very important. Even if the number of people involved were not very high—but it is—these loopholes in the tax system have tremendous consequences.

The first statement on the shortfall of Government revenue due to tax reductions was made in 1979. This statement revealed that the shortfall was \$30 billion, due to a total of 200 loopholes.

Individuals and private corporations have taken advantage of these loopholes to avoid paying \$30 billion in taxes. The following year, in 1980, the shortfall increased to \$35 billion. What has happened since? The Government has refused to publish statistics. That is one way of solving the problem.

*[English]*

Tax giveaways have been justified as necessary to stimulate investment and to create jobs. If that were so, we would have to feel at least somewhat favourable toward them. But what is the evidence? It is considered by experts that tax incentives by governments have only a marginal impact on the decision to invest. Right now, plants are not being used to capacity in any case. Therefore, this incentive with a failure of demand is not going to do very much good. Tax incentives cannot be a substitute for lack of demand. Yet the measures in the Budget of capping pensions and family allowances and by increasing the sales tax, will not stimulate demand but indeed will decrease it further.

These tax giveaways are made regardless of the impact they will have in terms of job creation. They may go to corporations which may not create very many jobs or which may actually close down jobs. They go disproportionately to large firms. They do not go to the small firms which provide the largest number of jobs.

If tax giveaways really had the effect of stimulating investment and of creating jobs, we would be in a very good situation right now because the tax giveaways are enormous and have been increasing. However, unemployment has been increasing also, which suggests that tax giveaways are no simple solution to the problem of our failure to create enough jobs.

We must consider also whether it is a good way to manage our money—and I suggest that it is not—to have government giveaways instead of direct grants, with clear conditions in return. In 1979, the Government spent some \$50 billion on direct expenditures, while it spent some \$30 billion on tax expenditures, or a sum 60 per cent as high. In housing and urban renewal, the Government spends eight times as much by tax expenditures as by direct spending. I say that this is a bad way to manage our affairs. We need a tax system which is simple, where people know where they stand, where government grants are very clear, and where conditions are attached so that there is a system of evaluation where people can see that we get value for our money. Tax giveaways do not seem like a giveaway but, rather like something people should receive and continue to receive.

One of the most unfair and least understood aspects of our current system is the relative burden shouldered by individuals and corporations. There has been a gradual shift of taxes from corporations to individuals. Although it is corporations which complain they are being unduly burdened, this is false. The