

Income Tax Act

In addition to that, our reputation in the overseas investment market has gone as a result of these foolish steps that were taken. The uncertainty created has also had a great effect upon the Canadian economy. As a matter of fact, the effect of these proposals may be just as bad as the effect that some of the fiscal and monetary restraints proposed by the government have had on creating unemployment.

The government has now seen the error of its ways and has brought back many changes. As a matter of fact, when we look at the schedule containing the comparative tables showing the present law, the white paper proposals, the recommendations made by the House of Commons committee and the proposals contained in the present bill, we find a welcome number of changes which parallel the recommendations of the committee. I suppose that as a member of the committee I should feel gratified, but this seems to me an awful way to run the shop. The economy of this country has been through some 18 months of convulsions, and now the government has come back along the same general path in its return to a little sanity.

Yet that is the exercise we all went through. There has been unemployment and restrictive government policies, both monetary and fiscal. There has been premature acceleration of Kennedy round cuts. I should like to know whether the Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) or the Minister of National Revenue is able to tell this House whether these premature cuts did the employment situation in the chemical industry any good. This industry has been driven to its knees as a result of the action of the government. It would have faced a good deal of difficulty with the unpegging of the Canadian dollar, which would have meant an immediate increase in its prices of 7 to 8 per cent. In view of the narrow margins on which so many of our export industries work, it is not difficult to realize the effect on this industry of the action taken by the government.

• (4:40 p.m.)

Since August 15 we have had proposals by President Nixon for the restoration of the United States economy which are very unsettling to Canadian industry and the whole economy of Canada. There is the 10 per cent surcharge, the DISC program and the further upward pressure on the Canadian dollar. We may see an attempt to force the Canadian dollar up to the \$1.03 or \$1.04 level. Again, this will put people out of business in the export market.

Then, we come along with these tax changes. Are they going to do anything to help the Canadian economy? We realize that many of the changes will be beneficial and welcome, including the increase in personal allowances. The government has not answered in any satisfactory way why it would not have been more beneficial to low income groups, including low wage earners and pensioners either on low personal pensions or on public superannuation allowances, to have instituted the system of tax credits.

A bill was introduced today in respect of income security plans. The same could have been achieved through tax credits with better results and effectiveness and with less injustice than is now apparent under this system. I understand the standard allowance will be \$2,850 for a married couple. This exemption of \$850 in personal exemptions to

a married couple will be of greater benefit in respect of a taxable income of \$10,000 than a taxable income of \$5,000.

In any event, with these changes we are caught with a question of timing and of complexity. There is no doubt in my mind that this House would be far better occupied in dealing with the major economic problems which now exist. I have in mind unemployment, trade and the terribly complicated relationships with the United States. Instead of that, we are going to be in the committee of the whole dealing with a bill some 600-odd pages long. This is a terribly complex bill, but the whole machinery is related to Bill C-259.

The only way we can deal with Bill C-262, once it comes out of committee, is by suspending our consideration of the tax changes and dealing with the report stage and third reading. All I can say is that in preparing its original white paper the government can only be compared to an engineer, an architect or contractor who, in putting up a building, completely misjudged the necessity of appropriate excavations or footings and foundations. He starts to construct his building and finds that the excavations for his footings and foundations are far too deep and too wide. He has to pull down what he has put up and begin filling and compacting in order to re-establish his foundation. That is all the government has been doing in the past several months in respect of these tax changes. It has been filling and compacting in order to arrive at a much better footing for these tax changes.

Let us consider some of the major provisions. There is no way I could go into all the aspects of this proposal. The House will take some satisfaction from the proposed increases in personal exemptions. They are acceptable as far as they go. Of course, there will be a difference of opinion as to the level at which the increases in exemptions are established. Some might suggest \$1,500, others \$1,800 and even others \$2,000, but the government has proposed \$1,500 and that is its responsibility.

There are two areas where I believe some changes in respect of exemptions might have been made had the government been in favour of dispensing entirely with a tax credit system, and one relates to allowances in respect of post-secondary education. Percentages in respect of post-secondary levels in Canada are insufficient and we have been advocating for years that every effort must be made to get children through some form of post-secondary education. We have many community colleges and technical schools where people are improving their qualifications to hold down better jobs, but not one blessed penny of the tuition a taxpayer pays can be recovered through an allowance on his ordinary income. The cost of sending a daughter, a son or even a wife to university in order to obtain a higher level of education is treated in the same way as the cost of taking a trip, in that neither are allowed as an exemption. Certainly, if a student has summer earnings or a personal income he can deduct his education fee on an approved scale, but this is only a minor thing. It seems to me we could have done better with fewer complications by adopting this idea of allowing as a deduction from gross income the cost of tuition for post-secondary education. Many people think that post-secondary education is a prerogative of the more affluent in this country. That is not true and quite contrary to the facts.