Income Tax

[*English*]

The bill proposes an increase in the statutory borrowing authority by $9 billion. The Financial Administration Act provides that "no money shall be borrowed or security issued by or on behalf of Her Majesty without the authority of parliament". This refers to "new" money only, as there is a continuing authority in the act for the government to borrow funds to repay maturing debt. The increase in borrowing authority sought at present is to cover estimated financial requirements into the next fiscal year and to provide a substantial margin for contingencies.

In the past, borrowing authority has normally been sought in one of the first appropriation acts of a new fiscal year. The long-established procedure was to attach a clause requesting new borrowing powers to supply bills brought before the House. However, as hon. members are aware, this procedure provided no opportunity to debate the authority being sought. In the past two years, following a recommendation by the Standing Committee on Procedure and Organization and agreement between the House leaders, one day was established for debate on this topic. Furthermore, it was agreed that the government would change the procedure for obtaining new borrowing authority. The government intends to introduce a bill soon providing a new procedure which will give ample opportunity for normal debate. In the meantime, there is need for an increase in the borrowing authority.

The size of the request for additional borrowing authority requires some explanation. Earlier this year, this House approved $7 billion of new borrowing authority. This amount was based on the $6.4 billion in cash requirements anticipated for the 1977-78 fiscal year. The cash requirements have now increased to $8.5 billion. Furthermore, the government has just announced a standby credit of $1.5 billion in the U.S.-Eurodollar market. Foreign loans, even of a standby nature, to replenish foreign exchange reserves are not part of the normal cash requirements. These loans are a charge on borrowing authority over and above the increased cash requirements announced for this fiscal year. The government also needs a large contingency amount to provide it with flexibility in planning next year's Canada Savings Bonds campaign. The increase in the borrowing authority will serve to cover our financial requirements well into the next fiscal year and will provide a cushion for contingencies.

It is essential to increase the borrowing authority as soon as possible. To date, we have raised approximately $4 billion in new money through the issue of marketable securities, and we have arranged a $1.5 billion U.S.-Eurodollar standby credit. This year's Canada Savings Bonds campaign is under way, and net sales of this series will also be charged against borrowing authority. As a part of the normal debt program, the government plans to raise some new money through November and December. As a result, the government is rapidly running out of borrowing authority. To meet current requirements, to provide for a margin to meet normal requirements for some months into the next fiscal year, and to provide for a large contingency, it is essential to increase borrowing authority in the amount of $9 billion.

● (1652)

Members of this House will appreciate the importance of this bill to a large segment of Canadian society. It is vital to avoid any unnecessary delay in proceeding with it. The implementing legislation for the tax changes in the budget of May 25, 1976, was not finally passed until late February of 1977. The delay caused very serious inconvenience and disruption for the thousands of taxpayers affected by those changes. I therefore urge members to consider the provisions of this bill, not hastily, for it is complex, but with dispatch. To a considerable extent, the economy depends on business confidence. Passage of the bill before us is extremely important in securing that confidence.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, as we tackle these income tax bills following recent budgets, we witness a variety of practices which seem to change almost from budget to budget. We had a March budget and we were expecting to have an income tax bill, but right in the middle of the throne speech debate the minister came forward and presented a mini-budget. Then, following the adoption of the throne speech resolution, a ways and means motion was put down, as well as what I call a bootleg motion, to increase the borrowing authority of the government of Canada. It has been a good smuggling effort on the part of the government.

Actually, Mr. Speaker, there should have been an appropriation bill for that purpose; but no, this was done by means of an income tax amendment bill. I see nowhere in the bill the royal recommendation with regard to increasing borrowing authority. I shall look into this matter and I reserve the right to question the practice of the government in not complying with the requirement of the royal recommendation with regard to this increase in borrowing authority.

When one compares the ways and means motion with the one moved last March, one is struck by the attempt of the government to inject some sort of stimulus into the economy by means of a tax cut and in other ways, having seen that its budget proposals of March 31 had run into difficulties. I am sure the Minister of Finance (Mr. Chrétien) must have accumulated a file a couple of feet high, consisting of letters from supporters of the government as well as members of this House, protesting the proposal to tax as earned income payments made under insurance policies. That is to say, the minister was going to tax the earned surplus left after death benefits and premium contributions—

Mr. Chrétien: I have changed that.

Mr. Lambert (Edmonton West): Since the insurance companies themselves have not written to the minister, I am wondering whether this is merely a shuffling of the beans, whether it is part of a bean game, as was the case before. The minister must have made calculations as to whether this would result in an increase in government revenue or in a diminution of government revenue.