

Income Tax Act

combating poverty and on the retraining programs.

Let us look at the financial history of this government. The bill before us today is interesting in that it first appeared on November 30, 1967, when it was introduced by the present Secretary of State for External Affairs, who was then the minister of finance. It imposed a 5 per cent surtax on individual income to a limit of \$600. This was more regressive than the present measure and met with opposition from this side of the House.

On February 19, 1968, a day which all of us remember, the bill was voted upon and was defeated by a count of 84 to 82. This occasion is well remembered by all members on the government side and was a source of great embarrassment. The result, no doubt had many political implications.

When the bill next came before the House it had changed. Obviously, the government realized that there were many valid criticisms to be made of the bill as originally introduced, so a 3 per cent surtax on personal income and corporation profits was introduced. At that time, the minister of finance stated the bill was only applicable to the years 1968 and 1969, and would expire on December 31, 1969, which is only a couple of weeks away.

• (5:00 p.m.)

On March 15, the bill was passed by the House of Commons. Then, in the June budget statement of last year, we heard more about the surtax. The Minister of Finance announced that he would ask the House to extend it to an extra year, to the end of 1970. Why was the extension requested? I will cite two reasons, the first of which may not sit well with some hon. members on the government side of the House. I believe that the government asked for the extension because the next election is not likely to take place before 1971 or 1972. We all know that governments prefer to tax people in off election years. When an election comes along, the tax load is eased and the government, which is not averse to using psychology, hopes the people will be pleased and that it will be re-elected. The official reason the government has given for extending the surtax for one year is that it wants to stabilize the Canadian economy.

In his statement of June 3, 1969, the Minister of Finance had this to say, as reported at page 9417 of *Hansard*:

In making this proposal tonight, I am mindful of the implication given last October that these surtaxes would be allowed to terminate as scheduled and that this was a factor in determining

the series of tax measures then introduced. It will be clear to everyone, however, that the extension of the surtaxes at this time is required for the purposes of economic stabilization, and not for budgetary revenues.

I think conditions have changed somewhat since the minister's speech of last June. We now know that the government does not really need the extra money to be garnered by the surtax in order to obtain a budgetary surplus. It seems that even without the surtax the government's accounts will be in a surplus position. Actually, the surplus is to be bigger than was originally anticipated. In October there was a budgetary surplus of about \$38 million; yet in the period between April 1 and October 31, 1969, the surplus had risen to \$846.4 million. Even without collecting the surtax proposed in this bill, the government's accounts would still show a large surplus.

May I point out to those hon. members who may not be aware of the facts that the projected revenue to be derived from this surtax is expected to be in the neighbourhood of \$155 million. As I said before, the government's accounts will be in a surplus position whether or not this surtax is approved. For that reason, I submit this bill is unnecessary. We do not have to pass it. If Parliament decides to pass the bill after all, then I urge the government to consider withdrawing those provisions pertaining to personal income tax. Apparently \$115 million of the projected \$155 million will come from personal income taxes, the remaining \$40 million to come from the tax on the profits earned by corporations. The government ought to consider seriously withdrawing that part of the bill pertaining to personal income tax. If the government does not agree, then I think it ought to consider loosening any of the restraints under which we labour today.

Why do I say that, Mr. Speaker? I say it because in this country today poverty is increasing. The Economic Council of Canada said that poverty is real, and that the numbers affected by it are in the millions, not in the thousands. Poverty not only results from economic and financial problems, but in itself creates many other social and psychological difficulties which affect those living in our cities and rural areas. Unemployment is on the increase in Canada. The unemployment rate at present, on a seasonally adjusted basis, is running at 5 per cent in this country, although it is by no means uniform all across the country. It is very high in Quebec, in the Maritimes and in parts of the prairies. In

[Mr. Nystrom.]