

Mr. Mahoney: The explanation here is precisely the explanation just given in respect of clause 3, except that we are speaking now about the tax refundable to a mutual fund corporation on its capital gains. This, again, has to reflect a reduction of 7 per cent of the tax deducted, but in the case we are now dealing with, the tax refundable has to be reduced by 8.75 per cent rather than by 7 per cent because the federal government does not retain any of its share of the corporate tax on such gains; there is a full flow-through of capital gains tax on capital gains of mutual funds through the mutual fund itself to the unit holders.

Clause agreed to.

• (2110)

On clause 5—

Mr. Saltsman: Mr. Chairman, I would repeat my previous request that the minister give an explanation of this clause.

Mr. Mahoney: Mr. Chairman, this clause modifies paragraph 51 of the income tax application rules so that the 7 per cent tax reduction will properly apply to a 1972 taxation year that began before July, 1971. Paragraph 51 provides a general rule for computing a corporation's tax payable for the 1972 taxation year where that taxation year falls partly in 1971 and partly in 1972. The technical amendment in this clause was necessary so that the 7 per cent corporate tax reduction would take effect on June 30, 1971, if we were dealing with a corporation's 1972 taxation year which overlapped June 30, 1971; for example, a 12-month taxation year ending March 31, 1972.

I might say, in anticipation of a question on the next clause, that clause 6 makes precisely the same change for co-operatives which also have a special rule for the computation of their tax for the 1972 taxation year.

Clause agreed to.

Clause 6 agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time? Now, by leave?

Some hon. Members: Agreed.

Mr. Mahoney (for the Minister of Finance) moved the third reading of the bill.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I do not intend to reiterate what I said either on second reading or in committee. I think we made our position quite clear on this bill and anything now said would be in addition, either by way of extended comment or by way of comment in support of referral back of any particular clause to committee, would be anti-climactic and I do not think would serve any useful purpose.

We regret that the government has seen fit to take the position it has with regard to clause 1. Nevertheless, we are caught, with the Income Tax Act as it is, with a flat exemption, and the errors that existed will be perpetuated. I am also sorry the thrust of this tax reduction in the

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personal income tax sector has been not concentrated upon the medium and lower income earners rather than granting a 3 per cent reduction across the board. As far as the corporation tax is concerned, I think it unfortunate that this is limited to 18 months. I do not think a one-year exemption as provided by the bill or a 3 per cent reduction is sufficient to do anything really worth while. However, it is some very light measure of relief and to that extent we support it.

We have supported the bill generally and I shall not object to its passage, though it is an extremely poor, niggardly bill.

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, I should like to move:

That Bill C-169 be not now read a third time but that it be referred back to committee of the whole House for the purpose of reconsidering clause 2 thereof.

I should like to explain briefly the reasoning behind this motion which follows directly from what I said a few minutes ago.

The Acting Speaker (Mr. Laniel): Order, please. If the hon. member will excuse me, I think the motion should be put to the House at this time. The hon. member for Oshawa-Whitby (Mr. Broadbent) seconded by the hon. member for Winnipeg North Centre (Mr. Knowles), moves:

That Bill C-169 be not now read a third time but that it be referred back to committee of the whole House for the purpose of reconsidering clause 2 thereof.

Mr. Broadbent: As I was starting to say a minute ago, Mr. Speaker, the reason I am moving this motion is that the minister of the Crown has failed completely to justify the corporate tax giveaway provided in clause 2 of this bill. He has shown no reason whatsoever why the taxpayers of Canada should be subsidizing the corporate sector by this kind of tax reduction. I did try to make it clear that this party, in contrast to what the hon. member for Edmonton West (Mr. Lambert) suggested earlier, was not at all opposed to the provision of a corporate tax reduction. In fact, we would support a corporate tax reduction at this time if the government tried to relate it to the generation of new employment.

I suggested earlier this afternoon that this might have been done in one of two ways. First, by an across-the-board tax reduction applying to all sectors of the economy, such as the service sector, manufacturing and resource sectors alike, provided that a corporation in any one of those sectors showed at the end of the fiscal year that it had increased the number of employees working for it. We would then have seen a direct benefit to the economy. Such a proposal would have been a little more complicated than what I am now suggesting, but at least there would have been some reason for making a connection between a tax benefit and employment, instead of supporting a tax cut that bore no relation whatsoever to a firm's capacity to generate new jobs.

The second approach I suggested which would warrant a tax reduction in the corporate sector would be to make the reduction exclusive to the service and manufacturing sectors of the economy. The reason for that is the one