

Income Tax Act

seems to me it would be very simple, given the kind of new technology and computers we have, for Revenue Canada to run through some of these cases over a period of three or four years to see what really happens.

It is our belief that many people pay little if any taxes at all, not just for one year but over a period of many years. I remind the Minister that Canadian corporations have some \$25 billion in deferred taxes which will probably never be paid. At least one bank, and speaking from memory I think it is the Bank of Montreal, paid no taxes at all in the most recent year.

● (1120)

The Government continues to insist that the Canadian people have to show restraint and tighten their belts. They have told retired people, public servants, families with children and other average Canadians that they have to continue to live with the six and five program to fight inflation. At the same time as ordinary people are being told that the best they can do is to get increases of 5 per cent in their salaries or pensions, the Government has decided that investors should be given a break from inflationary pressures. As I have pointed out, and most people would agree, investors are those best able to withstand these hard times. Under this provision capital gains on publicly traded common shares in Canadian companies will no longer be taxed until after inflation costs are removed. They are guaranteed against inflation.

Mr. Blenkarn: They are looked after.

Mr. Orlikow: They are looked after, precisely. Mr. Chairman, interest rates are going up. If interest rates are going to continue to go up, the cost of living will go up. Today the announcement was that the cost of living increase is pretty small, but if it goes up over 5 per cent ordinary people's real income will be reduced. Yet under this provision investors will be guaranteed against inflation. They will be taxed only after the inflation costs are removed. The tax would then only be on 50 per cent of the capital gain. There are no limits on the number of ISIPs an investor may have or restrictions on the maximum amount which may be invested in this plan.

I compare that, Mr. Chairman, with the fact that 20 per cent of the people of Canada are living below the poverty line and that 60 per cent of the elderly widows in this country live well below the poverty line. I suggest to the Minister that there is something wrong with the Government's priorities. When the Prime Minister talks about the just society, which he has not done lately, most of us think it is just some kind of sick joke.

Mr. MacLaren: Mr. Chairman, the Hon. Member has made a number of comments and suggestions. I do not know that I can respond to all of them. I would like to make one or two comments in answer to his observations. He has referred to the six and five program of the Government which has contributed substantially, along with other factors, to the reduction of inflation in Canada.

Mr. Orlikow: Especially the other factors.

Mr. MacLaren: I would think that the Hon. Member would join with me in welcoming the fact that today it is reported that the CPI now stands at 4.2 per cent, which is a substantial reduction over last month. This is an indication of the real way in which inflation has dropped in Canada as a result of the factors which I have noted. I think the Hon. Member will also want to join with me in welcoming the benefits which that reduction in inflation can have for all Canadians, both low and higher income earners.

● (1125)

On the question of equity in the tax system I have attempted to explain to the Hon. Member some of the factors which can lead to a situation in which some individuals pay no taxes during the course of one year. I have cited three such factors. I would like to offer one more factor for his consideration, the dividend tax credit. For those in a higher income level who do not pay tax in any given year, the dividend tax credit may be a major consideration. The Hon. Member opposite will recall that the dividend tax credit is designed to eliminate or at least reduce the double taxation of corporate sourced income. I believe that my hon. colleague from Ottawa Centre has a particular interest in the avoidance of double taxation, a subject to which he has given some attention.

We want to avoid a situation in our tax system where there could be such double taxation. Even if individuals do not pay any tax at the personal level, the income still attracts tax at the corporate level. For example, a small business owner may pay a tax of approximately 33½ per cent at the corporate level. When he withdraws the corporate income for personal use as a dividend, he would not pay any further tax at the personal level on incomes of up to approximately the \$40,000 to \$50,000 level. This lack of tax at the personal level is appropriate, in our view, because the tax has already been paid at the corporate level. There is that additional element that would help to explain to the Hon. Member a situation which sometimes arises where individual taxpayers do not pay any tax in a given year.

The Member opposite also made a comment about the social consciousness of this Government with regard to those who are at the lower income levels in our society. I suppose I could take some time to describe the various programs and instances in which the Government has attempted to assist those at the lower income levels, many of whom do not pay any income tax whatever, but I would only draw his attention to the recent announcement in the Speech from the Throne that the guaranteed income supplement will be increased as it has in recent years by this Government. We will again increase the GIS partly to meet the needs which the Hon. Member cited of widows and single persons in the lower income level of our society.

I would further indicate to the Member opposite that, as I noted a moment ago, a substantial number of our fellow citizens pay no income tax at all. A family of four does not pay any tax on taxable incomes of up to \$15,000 annually. One of the factors reducing their tax liability is the child tax credit