

Income Tax Act

If I were still a bank taxman, I would be sitting down figuring out what kind of business we would put in (the IBC)—make a profit, tax free, marvellous. Our shareholders would love it.

The Standing Committee on Finance, Trade and Economic Affairs expressed itself unequivocally in favour of measures to stimulate economic development in Montreal and Vancouver, but the Government's proposal will not do the job. Employment creation will be minimal and the proposal does nothing to help finance international trade for which both Montreal and Vancouver are particularly well placed.

The finance committee had two recommendations. First, that the Minister broaden the current IBC proposal so as to include more financial transactions when it might be useful. Second, that the Minister of Finance (Mr. Wilson) look into the question of withholding tax because we had much evidence that the withholding tax is the real barrier to bringing back into Canada some of the business that is now done in the Cayman Islands and elsewhere. The Government chose to ignore that advice and it chose to go ahead with this measure, which is clearly inadequate as a regional development measure. It is going to bring high costs to the Crown without creating jobs and without creating economic activity. Why? Because it is considered to be a public relations gesture to please Montreal and Vancouver.

I would suggest that the inhabitants of Montreal and Vancouver are much more astute and they are not going to be taken in by this kind of window dressing. If the Government were serious about increasing economic activity, particularly in the financial sector in those two cities, it should go back to the drawing board and produce a serious measure which this is not.

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Finally, I return to the question of why the Government is giving a tax break to the banks at this time, a tax break the banks have not requested. The Government is introducing tax reform which is supposed to eliminate tax breaks. Why is it giving an unasked-for tax break to banks when it is loading taxes onto individuals and young families in an absolutely unprecedented way?

We would like to see this complex Bill referred to the Finance Committee. Not only the measures concerning international banking centres but all the measures that concern retirement planning, the Canada Pension Plan and the Unemployment Insurance Act should receive serious and careful scrutiny in a situation where witnesses can be called and hopefully where some amendments will be made so that come the fall, we will have a more sensible Bill that we can support.

Mr. Rod Murphy (Churchill): Madam Speaker, it is again a pleasure to have a chance to speak in the House on a piece of legislation. On behalf of my caucus, I would like to indicate that we support sending this legislation to the Finance Committee. Even though some elements of the legislation have

received study by the committee, we believe that there are aspects of the legislation in its final form that deserve a more thorough review.

Regarding the refundable sales tax credit, we believe that the measure before us is wholly inadequate to meet the needs of lower-income families and we support the National Council of Welfare's calculation which shows that to fully offset the burden of the new federal sales tax on low-income Canadians, a sales tax credit in the order of \$400 per adult and \$200 per child would be required and that for a couple with two children, a sales tax credit of \$1,200 would be required. Furthermore, we believe that the failure to index these credits to inflation will erode their value over time and will quickly put many more poor Canadians back on the tax rolls.

Our research has calculated that as a consequence of the last three Conservative Budgets and the economic statement of the Minister of Finance (Mr. Wilson), Canadians are paying over \$20 billion more in new sales or excise taxes or will be paying that much more by 1990. Average Canadian families are paying \$910 over and above what they were paying prior to 1984. We believe that that is completely unacceptable.

As a result of the Conservative Government's taxation policies, the discrepancy between what the rich are paying and what the poor are paying has actually been increased. At a time when the Minister of Finance is talking about tax reform, we believe that these measures will not do anything to adequately meet the concerns of average Canadians and their families.

The personal income tax surtax which was being paid by those in the upper-income levels is now being applied to the majority of taxpayers. That will result in more income for the Government but again, in a way that is unfair, unbalanced and will shift the burden of taxation from the rich to the low and middle-income earners. As a result of that, we have trouble supporting this particular aspect of the legislation.

As I mentioned, the surtax will affect all families. The result will be that people with incomes of \$10,000, \$15,000 or \$20,000 per year will pay the surtax, and we believe that is completely unfair. The idea of an income tax surtax is that it should apply to those Canadians who receive the most and have the greatest ability to pay. The measure that is before us at this time certainly does not do that.

The third aspect of the legislation before us is the intent to set up international banking centres. While we recognize that there may be some merit in that, we believe that there are some legitimate concerns. Obviously citizens of Vancouver and Montreal see some potential for job creation within those cities, but again, there is no indication from the information that has been given to us to date that there will be any real increase in jobs. We have heard numbers as low as eight being used in public. The economic benefits of that are low.

In addition, as we all know, taxes paid by Canadian banks are already abysmally low. The banks are not paying their fair