

Government Orders

That means that all dividends received from Canadian corporations will be grossed up by 25 per cent and that grossed up amount is the amount that is considered income for the purposes of the threshold of \$50,000.

It has been pointed out by departmental officials that that is okay because to generate that many dividends, you have to have a lot of stocks, and that is true. But I would suggest that the essential inequity of treating different kinds of income differently for the purposes of the Income Tax Act undermines the integrity of the system. Whether we like the clawback or not, which clearly we on our side do not, if you are going to say that the threshold is \$50,000 of income then let it be \$50,000 of real income, not the notional gross up received on dividends.

Whether a senior puts his or her assets into interest earning investments or dividend earning investments should not make any difference in determining whether or not they have reached the threshold for clawback purposes. One of the most distressing things that has happened in this Chamber over the last 10 days is that the Minister of Finance in answering questions did not seem to understand what the dividend gross up was.

All of that being said, I do not think that this particular amendment addresses that problem. If there is going to be an amendment to address that problem, it needs to be done elsewhere in the act.

The Acting Speaker (Mr. Paproski): Is the House ready for the question?

Some Hon. Members: Question.

The Acting Speaker (Mr. Paproski): The question is on Motion No. 2. Is it the pleasure of the House to adopt the motion?

Some Hon. Members: Agreed.

Some Hon. Members: No.

The Acting Speaker (Mr. Paproski): All those in favour of the motion will please say yea.

Some Hon. Members: Yea.

The Acting Speaker (Mr. Paproski): All those opposed will please say nay.

Some Hon. Members: Nay.

The Acting Speaker (Mr. Paproski): In my opinion the nays have it.

And more than five members having risen:

The Acting Speaker (Mr. Paproski): Pursuant to Standing Order 76(8), the recorded division on the motion stands deferred.

Ms. Joy Langan (for Mr. Butland) moved:

Motion No. 3

That Bill C-28 be amended in Clause 47 by striking out line 1 at page 45 and substituting the following therefor:

“(a) 0.05 percent of tax payable under Part 1 by”.

She said: Mr. Speaker, the reason for the changes in this clause which reduce the surtax from 5 per cent to .05 per cent, is to greatly reduce the amount of the surtax. The finance minister indicated that he would get rid of the 3 per cent surtax on individual income once sales tax changes were announced. Instead, as with many promises which have been made by this government, he has done exactly the opposite. In fact, he wants to raise it, despite the introduction of the goods and services tax, to 5 per cent.

Originally, it was suggested that the clause describing the surtax be deleted altogether. However, the Parliamentary Law Clerk has indicated to us that for technical reasons this would be very difficult. Therefore, we present to this House the proposal that the percentage be changed to a much smaller level to at least prove to be fair and equitable and certainly much closer and in keeping with the commitment that the finance minister made regarding getting rid of the 3 per cent surtax.

Mr. John Manley (Ottawa South): Mr. Speaker, I would like to speak in support of this amendment. This amendment raises an issue that is very bothersome to many Canadians. When we had phase one of tax reform and were promised phase two, which was to be sales tax reform, it was clearly stated that phase two was going to be revenue neutral. This concept of revenue neutrality went through a whole series of phases. Revenue neutrality meant that the new tax was just going to replace the old federal sales tax, then revenue neutrality meant replacing the federal sales tax, eliminating the surtaxes, and reducing the middle-income tax rate, and there were other things thrown in. The concept of revenue neutrality, as far as the goods and services tax is concerned, became a moving target. Whatever the minister happens to feel like on a given day, is what revenue neutrality meant that day.