

*Income Tax Act*

fairer share of taxes than they heretofore have. We assume that these are precisely the people who are able to arrange their affairs in such a way as to minimize the tax attracted under the present system because of the non-inclusion of capital gains in the tax base.

The hon. member for Edmonton West discussed at some length that various rates and the suggestion advanced by the Minister of Finance today to the provincial treasurers. I am not sure the hon. member appreciates that the suggested rate—the 30.5 over 28 formula that was advanced by the minister—is not necessarily the tax rate the provinces will adopt but is merely the ceiling which the federal government has indicated to them. If they do not exceed that ceiling they would be entitled to receive the revenue guarantee offered by the federal government. Of course, one would have to apply it to individual tax rates in each given province at the present time in order to arrive at the final figure of provincial taxes.

**Mr. Lambert (Edmonton West):** But, Mr. Chairman, the Parliamentary Secretary will agree that the 30.5 suggested by the minister this morning is the equivalent of what we call the basic 28.

**Mr. Mahoney:** It is intended to replace it and it certainly is roughly equivalent to it, yes. The point, however, is that under the tax bill the tax reductions for about two out of every three taxpayers—and the complete elimination of income tax in respect of one million is envisaged—will be borne by the federal government and the rates which have been suggested to the provincial governments will be rates which will permit the provincial governments to collect as much provincial income tax under the new system as they are presently collecting. The federal tax generally will result in a reduction of taxation for most Canadian taxpayers.

The amendment the hon. member for Winnipeg North Centre has before us is not, of course, acceptable to the government. The hon. member for Waterloo ascribed to the hon. member for Winnipeg North Centre, in almost as glowing terms as the member for Winnipeg North Centre himself used in respect of his amendment, most of the adjectives in the litany of saints. The only one he forgot was "irresponsible". In this particular case the government, in proposing tax amendments has to determine just what kind of budgetary considerations are acceptable for the continued prosperity and the economic growth of Canada and its good government. Certainly, a tax reduction which I think has been rather accurately estimated as costing between \$450 million and \$550 million is not one which the government would regard as responsible in addition to those which have already been made.

• (5:10 p.m.)

I notice hon. members opposite have been very generous in suggesting that perhaps the Minister of Finance could be allowed to abandon some of the other things he has suggested to stimulate the economy and to put more money into the hands of Canada's taxpayers. I thank them for that generosity, but I think that as long as this government is here this government is the one that must accept the responsibility for determining what the best tax measures are.

**Some hon. Members:** Hear, hear!

**Mr. Mahoney:** Finally, the hon. member for Dauphin raised the question of the requirement that for income averaging an annuity be purchased within two months of the end of the taxpayers' year. As a matter of fact, that item is dealt with in section 61 which was adopted by the committee yesterday and the averaging provisions that are now before us are the general averaging provisions under the Income Tax Act. However, I think the hon. member will appreciate that since the individual taxpayers' taxation year coincides with the calendar year, and since he must file his return by the end of April, that decision has to be made some time before the end of April, so the two months after the end of the taxation year was regarded as reasonable.

**The Assistant Deputy Chairman:** Is the committee ready for the question?

**Some hon. Members:** Question.

**The Assistant Deputy Chairman:** The question is on the amendment of the hon. member for Winnipeg North Centre. All those in favour please rise. All those opposed please rise.

Amendment (Mr. Knowles, Winnipeg North Centre) negated: Yeas, 42; Nays, 64.

**The Assistant Deputy Chairman:** The text of the next amendment proposed by the Minister of National Revenue is to be found at page 8949 of *Hansard* for October 22. Shall the amendment carry?

**Mr. McCleave:** I am sure that in the excitement of the vote, Mr. Chairman, your voice did not quite carry through although ordinarily it is strong, clear and pure. I wonder if you would mind repeating the point about the amendment please.

**The Acting Chairman (Mr. Boulanger):** The question is on the amendment which was proposed by the Minister of National Revenue. The text is to be found on page 8949 of *Hansard* for October 22. The amendment reads:

That section 117 as set forth in clause 1 of the said bill be amended by striking out subsection (8) thereof on page 312

**Mr. McCleave:** I am glad that I am reminded of it, Mr. Chairman. I asked the parliamentary secretary the other day why the section was being deleted, and I think he owes us an explanation.

**Mr. Mahoney:** It is being deleted only temporarily and, as a matter of fact, if we had been dealing with this bill in consecutive order, it would already have to be replaced in section 82. The amendment is simply to delete a provision in section 117 which, when we reach it, will be inserted in section 82 and a further amendment to the same effect is proposed. The subsection being deleted is a provision to deal with a situation where a taxpayer's married exemption is reduced by reason of dividends received by his spouse and where neither the taxpayer nor his spouse can use the dividend tax credit involved. The deleted provision will be replaced by a new subsection in section 82.

**The Assistant Deputy Chairman:** Shall the amendment carry?

**Some hon. Members:** Agreed.