

Taxation Reform

I contend that you cannot build an equitable tax system by retaining the traditional, old-fashioned, conservative exemptions, lacking the courage and vision to replace them with a modern system of tax credits which will return money to those people against whom tax should not have been levied.

Losses can also be immensely reduced by a system of tax credits. The minister stated that the government lost \$1 billion by raising tax exemptions. According to a calculation we made, though I do not vouch for its validity, if a tax credit system had been applied to every taxpayer of Canada, one third of this \$1 billion would have been saved. If tax credits had been applied only against the lower income group, you would probably have saved about two thirds of the loss. I suggest this also stamps the white paper proposals as inequitable.

The most striking inequity in the white paper is the continuation of the double standard of taxation. The white paper proposes to allow a self-employed person to deduct from his taxable income all of his reasonable and legitimate expenses. Although there are many more wage earners and salary earners in this country than persons who are self-employed, they are allowed only a 3 per cent deduction, up to a maximum of \$150.

I go further and say that this proposal is a snare and a delusion. I suggest everybody could take advantage of it. It could be used—I do not know whether it will or not—by members of Parliament, who already have a pretty hefty tax free allowance. The maximum of \$150 could also be used by every wage and salary earner as a straight addition to the exemption. Where is the sense in this?

Some people incur no expenses with regard to the earning of their income. So why should they be given a further \$150 exemption? There are many wage and salary earners, on the other hand, who for years have incurred expenditures much higher than \$150 and who will not receive any relief except up to the \$150. In all earnestness, I suggest this proposal is not only unfair but to my mind totally immoral. It is setting one standard for the majority of Canadians whose livelihood brings them a salary or wages, and a second standard for the minority of French Canadians who are self-employed or earn their income in some other way.

Mr. McGrath: French Canadians?

Mr. Lewis: Why the different standard?

[Mr. Lewis.]

Mr. Stanfield: It will affect English Canadians too. My hon. friend said French Canadians.

Mr. Lewis: I am sorry I made that slip; I was referring to the minority of Canadians. I was referring to those Canadians who earn their incomes in some other way; I do not know why French Canadians came to my mind.

Some of the tables in the white paper indicate that the increase in taxes up to the \$15,000 income level is not inconsiderable, and that when you get to the \$20,000 income level the tax increase tapers off down the line. The minister keeps shaking his head. I am aware of his addendum of the capital gains tax and I will come to that in a moment. The application of the 51 per cent maximum means that those in the really high income brackets will be paying \$5,000, \$6,000 or even \$30,000 less tax than they are paying now.

The minister's reply will be that he has now introduced a tax on capital gains, and that when this tax is added to the other tax these people will not pay less tax than they did before. We of this party do not buy that proposition, Mr. Speaker. We believe that the capital gains tax ought to have been on the statute books of Canada many years ago, because a capital gain is but another source of income.

We suggest that just because the minister is going to tax, in our view inadequately, this particular source of income is no excuse for making the tax burden on employment earnings of those whose income is \$20,000 or over less heavy than the burden of those earning \$15,000 a year or less. If I earn x dollars salary, and for years have also been making x dollars from capital gains which were not taxed, then I see no equitable reason or social justice for reducing my tax on the first part of my income because I am now going to be taxed on the second part of my income, assuming, of course, that I had that kind of income. Why this kind of double standard? We object to that. Therefore, on the basis of equity, this white paper falls to the ground.

● (2:50 p.m.)

There is another thing that has annoyed me about the proposal of the minister, and I want to say a word about that. Why could he not have introduced the goodies in the white paper now? Why does he have to wait until 1971? If they could not be introduced now it was certainly possible for the minister to plan