

*Income Tax Act*

But all of these changes together mean neither meaningful reform nor equity when balanced against other features of the legislation. Take for example the first change which I mentioned, the virtual elimination of income tax for families earning \$3,500 a year or less. This represents an improvement yes, but equity no, because the poverty level in this country has been determined by the Economic Council of Canada to be \$4,000 for a family. It has been 28 years since the personal exemptions in the Income Tax Act have been revised upwards. Why, in the name of justice, did not the government raise the personal exemptions to \$2,000 for an individual and \$4,000 for a family? Individuals and families earning less than those figures are living in a state of deprivation in relation to the rest of society. How can anyone professing to be just, professing to be concerned with equity, demand the further reduction of such marginal incomes by the payment of taxes? Yet that is what this legislation is doing.

Where is the justice in limiting a wage earner to a maximum deduction of \$150 a year for expenses legitimately incurred in the course of his work while, at the same time, business executives and self-employed persons are allowed virtually unlimited deductions for expenses incurred in the course of their work? Moreover, they are allowed to deduct those expenses under provisions which everyone knows are subject to massive abuse. Where is the justice? Where is the justice in taxing income obtained through capital gains at only half rates, income gained through windfalls, gifts and inheritance not at all and at the same time taxing income gained through wages and salaries at full rates? Where is the equity in a system which enables a single person earning \$100,000 a year to pay \$1,000 less in income tax and at the same time requires a single person earning \$11,000 a year to pay \$78 more? Where is the equity in a system which requires people whose incomes are below the poverty level, as set out by the Economic Council of Canada, of \$2,000 for a single person and \$4,000 for a married couple to pay income tax and which at the same time permits those who have accumulated large amounts of wealth to transfer their assets to relatives or friends without paying inheritance of gift tax at all?

I have been asking a series of rhetorical questions. Obviously, a law containing such provisions is completely barren of justice and equity. Not only is this bill barren in terms of equity and justice, but it is also sterile in terms of the kind of innovation and imagination that is required to stabilize the economy of this country, required to remove the economic disparities which exist among the various regions of this country, required to redistribute income in order to provide some measure of equality of opportunity, some measure of equality of condition for individual Canadians. It is sterile also in terms of ideas for developing economic institutions which conform to the changing system of values and social attitudes which are taking place.

Let me take those charges one by one. First, I have said that this bill will do little or nothing at all to introduce some stability into the Canadian economy, an economy now in a chronic state of inflation and unemployment. Obviously, neither of these two illnesses can be completely cured by the manipulation of our system of taxation. However, properly utilized the tax system can contribute

in a major way to controlling inflation and providing needed jobs. By placing manufacturing and service industries in an advantageous position in relation to other industries, the government could encourage the flow of investment capital toward those industries. Investment capital would make possible the rationalization and updating of existing manufacturing industries, thus enhancing the productivity of that sector of the economy and so reducing inflationary pressures. Moreover, it is the manufacturing and service industries which are, relatively speaking, labour-intensive. We need jobs, hundreds of thousands of them. They will be provided more quickly by encouraging the development of new and the expansion of existing manufacturing and service industries.

Instead of this, Bill C-259 continues the practice of the present tax system of taxing the profits of manufacturing industries at double, triple and quadruple the rates of the extractive industries—oil and mining—thus ensuring that the smart money will continue to flow in the direction of the extractive industries. The extractive industries, which are big users of capital and relatively small users of labour, keep most of their special privileges and their exceptional tax concessions under the terms of the present legislation, even though both the Carter commission and the government white paper advocated massive reductions in the special tax privileges accorded to the extractive industries.

Where is the sense in such an approach? Why encourage, at a time when the country is faced with chronic unemployment, the development of an industry which employs relatively small numbers of people at the expense—since there is only so much capital to go around—of the manufacturing sector of the economy which is labour-intensive? Why encourage the same rapid pace in development in a sector of the economy, the extractive industries, which has already developed an overcapacity in areas such as oil and gas, in gold, uranium and potash, thereby distorting our trade patterns and introducing problems for our economy which need not exist? Why, for example, are we rushing to develop and exploit oil and natural gas deposits in the north, before we have developed the technology which would ensure that the ecology of the area is not damaged when, at the same time, wells in the Prairie provinces are producing at as low as 40 per cent of their capacity? Bill C-259 perpetuates this situation and continues the distorted development of our economy. That is why I have said that the bill lacks the policies required to stabilize the economy.

I have also said that this bill will contribute little or nothing to the removal of regional economic disparities. One looks through it in vain, for example, to discover measures designed to reduce the possibility of provinces continuing the practice of competing for industry by the counter-productive method of seeing who can offer the most in the way of tax concessions—a game in which the poorer provinces are always the losers. That is an error of omission. An error of commission is the federal government's decision to withdraw from the field of estate and gift taxes instead of collecting that revenue and distributing it on the basis of an equalization formula. Again, the poorer provinces are the losers. Beyond that, what if one of the richer provinces decides not to impose gift taxes and succession duties? Even though the poorer provinces