

*Income Tax Act*

some kind of suggestion by which the committee could abide.

**Mr. Lambert (Edmonton West):** It is very simple, Mr. Chairman. I read out the first block of sections that is not very relevant. Then, we come to section 82 which is included in Your Honour's list, subdivision h—corporations resident in Canada and their shareholders. The heading of the section is "taxable dividends received". That section has to do with shareholders. So, let us hinge the discussion on section 82, and all the other sections will remain as read out.

[Translation]

**Mr. Clermont:** Mr. Chairman, I think sections 38 to 41 deal with capital gains.

[English]

**The Deputy Chairman:** Am I to understand that we would not consider at this time sections 38 to 41, which were read out at the opening of the committee this afternoon, so those sections which will be called will be from section 82 onward. Shall section 82 carry?

**Mr. Mazankowski:** I merely wanted to reply to the question raised by the hon. member for Winnipeg South Centre. I can assure members of the House that I will not be as longwinded in my answer as he was in his question. His first question was whether we were disposed to speed up the process. I believe that my leader offered a logical proposal, and if members on the other side in their wisdom wish to accept this proposal, I am sure it would speed up the process significantly. But it seems that hon. members on the opposite side of the House consider that when there are any concessions to be made, they have to be made by the opposition rather than by themselves.

With regard to the debate that is taking place in the United Kingdom with respect to the European Economic Community and their participation, I understand the debate was merely a matter of the resolution and as yet the bill has not received final passage. The full details of the bill will be examined later.

• (4:10 p.m.)

Getting back to the incentive with respect to small businesses, perhaps it is because I am not a tax expert that I cannot understand, but it seems to me when a small business has its income tax increased from 21 per cent to 25 per cent, that is not an incentive. It is a very simple matter of narrowing the gap between small corporations and large corporations. I object to this very much. I would say if the government truly wanted to offer an incentive to small private businesses to get started, they could have gone the other way perhaps, thinking of many Canadians desirous of establishing their own business to the benefit of all Canadians.

With respect to the matter of Versatile, he is right. Versatile was co-founded by two men, and this was allowed to I believe in my remarks. I believe the leadership was provided by a Mr. Robinson, and a man by the name of Pacosh was taken in who happened to be an engineer. I would not want the impression left that there was only one man. The success of the company resulted from the combined expertise of Mr. Robinson and Mr. Pacosh.

**Mr. Lambert (Edmonton West):** Mr. Chairman, I wish to resume the argument I was making at the conclusion of my first round. If we look at the proposals for the taxation of corporations, I think it is necessary that we look at what we have now, what was proposed in the white paper and what all of these sections now represent. Incidentally, I have found another section which has nothing to do with this subject, section 122 and it is on the list. It deals with *inter vivos* trusts and not in any way corporations and shareholders.

We know that at the present time we have what is generally known as the two tier system, that any corporation whose income is less than \$35,000 in a taxation year will pay at a base rate of 21 per cent plus any surtaxes or what have you that are in existence; at or over \$35,000 the rate climbs to 50 per cent plus surtax if any. This two tier system has had an historical development. As I recall, the 21 per cent first applied to the first \$20,000 and ten or eleven years ago that was increased to \$35,000, bearing in mind the devaluation of money over the period of time and other requirements.

One would have hoped that the only change made now would be to generally take into account the inflationary change. Business understood the two tier system. I can assure you, Mr. Chairman, and hon. members, that I cannot tell which excited the most comment, the deemed realization every five years on shares of widely held companies, the capital gains tax on principal residence or the elimination of the two tier system dealing with the taxation of corporate business. The latter seemed to excite everybody. It was universally condemned with the exception of those academics who think that they are such intellectual purists and who insist upon this so-called principle of equity or as it is sometimes described, absolute neutrality between classes of taxpayers. These people have never been in business and would not know how to run a peanut stand or a service station. They do not know the problems of getting a small business started, running it and developing it so that it is a viable operation supporting the owner and his employees. It was with the same reaction, it seems, that members of the Senate Committee as well as members of the standing committee of the House of Commons received these protests that the two tier system should go and that everybody should be taxed in the same way. I just cannot see why there should be neutrality, Mr. Chairman.

Coming back to the point I have made time and time again, Mr. Chairman, it seems to me that the taxpayer's understanding of a tax, and his willingness to pay under a tax system, are just as important as administrative convenience or some fancy theories of the tax experts. This blessed bill seems to have forgotten the taxpayer, though he is the one having to bear the tax. He must understand the tax he pays, whether he is in business, whether he is a wage earner or is on a salary. Is there some God-given right that enables administrative officials to devise a tax system, put it on the back of the taxpayer and then have him treated like a dumkopf, simply a dumb head? Is he supposed to be thankful that he is going to support a system of taxation whether or not it is understandable? Certainly, the philosophy behind the white paper on tax changes has something to do with being a taxpayer who has to produce, not simply with someone on a salary.