

*Income Tax Act*

20 per cent of the government's total spending ends up in the form of debt.

The provisions of Bill C-56 relating to provincial sales tax reductions are poorly conceived, drafted and explained. I should like to make one thing clear. Bill C-56 is an all-inclusive bill. It gives legislative effect to various measures which were announced in the budget. Many of these measures are welcome. Certainly we in this party welcome them. We supported those measures in the budget debate, and we will continue to support them. Let there be no doubt: these measures are already in effect. They are in place.

In this respect, I should like to refer to page 60 of the budget speech presented by the Minister of Finance on April 10. The effective date for various budgetary measures appears on that page. The reason I dwell on this is that I noticed during question period today that the government is insinuating that if there is any extended debate on Bill C-56, certain budgetary measures will not become the law of the land. That is just not true. That has been spelled out in the minister's budgetary document.

I should like to make the record clear. For example, special allowances to permit deduction from taxable income of 50 per cent of the costs of increases in research and development activity became effective on January 1, 1978. The federal income tax rate reductions in the Northwest Territories to facilitate introduction of a territorial income tax with no tax increase for individuals or corporations became effective on January 1, 1978. Costs of machinery, equipment and other facilities for enhanced oil recovery systems became eligible to earn depletion allowances of \$1 for each \$2 on April 10, 1978. The limit on the deduction of depletion earned on certain expenditures on non-conventional oil projects increased to 50 per cent of total profit as of April 10, 1978.

Taxfree rollover provisions apply to incorporated family farms as of April 10, 1978. Plans established to upgrade heavy oil manufacturing and processing facilities were effective on April 10, 1978, budget night. Additional capital cost allowances provided on depreciable railway system assets acquired by railways before 1983 were effective on April 10, 1978. As far as the registered retirement savings plan provisions are concerned, according to the minister a special provision will allow RRSP owners reaching age 71 after April 10, 1978 to make use of the new options proposed.

Let there be absolutely no clouding of the issue. Those measures are in place. They are the law of the land. The passage or non-passage of Bill C-56 is immaterial to those provisions being felt by all Canadians. As we debate Bill C-56, I suggest we look at it for what it is. Not only will we be asked to judge whether the government has mishandled a basically good idea, that is, a provincial sales tax reduction concept, but whether they have mishandled it to a point where it is totally unacceptable in its present form as found in Bill C-56.

I should like to review exactly what the government has done in respect of this matter. As has been indicated, the idea was borrowed from one or more provincial governments. It was felt to be a good idea. The government never explained why it

[Mr. Stevens.]

chose to go the provincial sales tax route as opposed to the federal sales tax route which could be used as a device to increase the buying power of Canadians. It never explained that because there were political advantages open to the government which were not open if the federal sales tax approach was followed.

Unfortunately, a federal sales tax of 12 per cent on most items has been left intact. It is one of the most outdated taxes of any industrialized nation in the world. It is inflationary, regressive, and it hits the poor more than any other sector. Unfortunately, the minister did not choose the federal tax, which is entirely within his domain, in order to do whatever he felt was necessary in the form of an incentive to Canadians.

Today the Minister of Finance indicated that intensive negotiations with the provinces of Canada have taken place for three weeks. We understand that certain provinces asked for flexibility. They said, in effect, "If we go along with the provincial sales tax approach, will you give us some flexibility—that is, if we find, as in the case of Manitoba, we would like to divert some funds to some type of job creation in our province as opposed to exclusively lowering our sale tax?" For reasons that are not totally explained by the government it chose to be rigid and said no to Manitoba.

● (1742)

The government negotiated with the provinces on the basis of one agreement for everybody, and that one agreement would exclude Alberta. It would include nine prescribed provinces, and in effect the agreement would work very simply. The government would give up \$100 of its tax revenue; that is very clear in Bill C-56 when we look at clause 30. The government would give up \$100 of its tax revenue, and that was anticipated to be taken up. The difference was to be taken up, in the case of the eight prescribed provinces, by those provinces adopting companion legislation to increase provincial personal income taxes by \$100.

As far as the income tax returns of the residents of the eight prescribed provinces are concerned, one can see that this was a rather simple thing. The federal government would give a credit of \$100 and the provincial tax would go up by \$100, so the tax simply shifted from being a federal tax to being a provincial tax. That put the provinces into a sufficient revenue position to reduce provincial sales taxes under the agreement this government had with the provinces.

If there was an overrun as far as provincial sales tax expenditure was concerned—that is, in addition to the actual tax revenue the federal government had given to the provinces—the provinces would be getting a consolidated revenue payment. On the other hand, if there was a deficiency it would be reversed and the federal government would get money back. That would be the case when an excess payment had been made in terms of aggregate personal income tax revenue given up by the federal government. In short, that was the working agreement.

The minister confused the issue today when he wrapped himself in the flag and started to talk about equalization