

Income Tax Act

With regard to the amendment, I have looked up the statistics for the taxation year 1970-71. A tax credit of \$75 in the personal income tax field according to a reduction calculation results in a reduction of some \$550 million in the revenues therefrom. I notice the parliamentary secretary is nodding his head in general approval of this as being the figure. We are considering a whole year on this basis. The \$225 million the minister promised on October 14, as a result of the 3 per cent reduction in tax payable by individuals for the year 1972-73, frankly would not be necessary if a tax credit were now given. A tax credit system is the objective of the move by the hon. member for Winnipeg North Centre, and is one with which we fully agree because we have from the very outset, even before anyone else spoke about it, argued in favour of tax credits. In order to be credible in this I believe I must accept the principle of the amendment and I do so quite willingly. I have some reservation concerning the validity of the ruling with regard to the amendment. I say that merely on a personal basis. The amendment having been accepted, however, I now say we are quite prepared to support it.

The tax credit as proposed would give much more relief from tax in the lower income groups than would the proposed 3 per cent the minister has proposed for the 18 month period beginning July 1, 1971. I want to make quite clear that while I recognize the cost to the treasury in diminution of funds, it is not necessarily a total loss. It is in the first instance, but there is a multiplier effect and there is a recapturing of some of this money that the government forgives in the way of income tax because it is picked up through the sales tax, through an increase in economic activity and so on. On October 14 the minister said that the purpose of the tax cut was to stimulate the economy and that the government was prepared to put into the national spending pot some \$350 million. Then, it hopes to recover a given portion of this through the increase in economic activity, more jobs, higher incomes and more income taxes both from the personal point of view and the corporate point of view. Therefore, one must not look at such a tax cut as representing a cost to the national treasury of \$550 million. We have taken off \$225 million with regard to the 3 per cent tax cut, which would be the exchange, and I would say there would be a good deal more revenue generated by the increased economic activity so that the net cost, bearing in mind the social purpose of the tax cut, would be more than compensated by the benefit to the individuals receiving the same. To that extent, therefore, I hope the committee would see fit to support the amendment.

Mr. Broadbent: Mr. Chairman, it came as a bit of a surprise to us that the hon. member for Edmonton West would support this rational, sensible and equitable proposal. We welcome the support for this serious amendment. One of the persistent and unfortunate facts of so-called tax reform in other countries in the past 30 years has been that it almost never resulted in any significant shift in income in any of the advanced industrial countries, this country included. I should like the parliamentary secretary to look at a work which might be of interest to him. I refer to Professor Titmus' study of income distribution and social change over a few years ago in England. I hope he would have a look at it and seriously assess the

comments made concerning a full variety of so-called approaches to tax reform which have resulted not in redistribution of income but rather in the maintenance of the present income patterns in society. I suggest that the present tax proposals, the hundreds of pages of them that we have before us, really amount to a continuation of this lamentable tradition. We have had a number of proposals in a number of areas, and I would like to comment on each of them by way of a brief preamble to the specific amendments.

• (3:50 p.m.)

The capital gains tax has at last been introduced in this country, the last country in the western world to do it. Instead of taxing all the capital gains as part of one's income, in the typical Liberal fashion it has been decided to tax only 50 per cent of these gains. The worker pays tax on all of his taxable income, all his earned dollars if you like. But the man who clips coupons, who makes a gain in the stock market in Toronto, will be able to continue that wonderful tradition and will pay tax on only half of what he gains.

• (3:50 p.m.)

We have made reference to the estate tax proposals which again benefit the rich, notwithstanding what the hon. member who preceded me said. Incidentally,—I am sorry he has left the House—it has always been made clear by our members, particularly by our western members, that there is no intention to tax the small family farm estates. A distinction has always been made by this party in that regard and it is unfortunate the hon. member for Edmonton West did not point out this fact, since I suspect he is well aware of it.

Mr. McCleave: Sanctimonious guys.

Mr. Howard (Skeena): Take it easy.

Mr. Broadbent: I will refrain from commenting on the interjection of my good friend to the right. Perhaps he will join in later. I do not make these points in jest and, as a matter of fact, I respect my hon. friend very much. I make these points in all seriousness. I think that a tax system in a democratic society is or should be one of the most important means of bringing about some equity in terms of income distribution. If this party has said on a number of occasions that this is not being done in our society, apparently it is necessary to go on saying it because we are not getting the kind of change that we think is desirable.

The third item seems to me frankly discriminatory. It is the proposal that workingmen get an exemption for work expenses so long as they do not exceed \$150. The provision says nothing about the junior jet set executives who will entertain their friends in Toronto and be able to claim exemption at a much higher level than the ordinary working people.

The fourth point in the current tax proposals is the continued taxing of people whom the Economic Council of Canada says live at the poverty level. There is no decision to go beyond that kind of economic barbarism. There has been no introduction of the tax credit system which, as has been mentioned many times, is a much