

will have a total tax saving of about \$25 a year and those earning \$17,000 a year will save \$45 in direct taxes a year.

That sort of thing has to be balanced against the increased revenue coming from indirect taxation. I am not speaking about energy price increases. We all know that energy prices have doubled. We know that gasoline and heating oil will go up by about 50 cents a gallon in the near future. We have to remember those taxes that will be imposed through the change in the federal sales tax in a number of other areas in our economy. These taxes are not readily identified, they are not seen, but they will outweigh the gesture of a tax reduction which the Minister of Finance talks about in the name of equity.

Second, the budget is to deal with restraint. By anyone else's definition, restraint is not what this budget is all about. The bottom line of restraint is the question of what government revenues and expenditures are. The increased taxation which this government will achieve through the recent budget is in the neighbourhood of 31 per cent in one year and 43 per cent in two years. This increased taxation will account for increased government expenditures of 22 per cent. This is at a time when the government says it should slow its own growth by a factor less than inflation. That dedication has been described on paper by both the Minister of Finance and this government for some time. It is something the government says it is trying to achieve. The government tells us that it is practising restraint. But the government is increasing expenditures and taxation mightily.

Third, the budget is to deal with economic renewal. Quite simply, there is no hope for renewal not only because of the other taxation measures introduced in this budget but basically because there are no plans. Probably there is no idea about how to plan for economic renewal in this country. If there had been an idea there would have been one long before this. We have not had anything in the last 13 years or even before that, perhaps even since wartime. We should have had a major economic plan for development with proper direction and orientation toward research through all the mechanisms available to government, through regulations, incentives and so on. These things would have stimulated our economy and we could have paralleled the opportunities we have with our resources and skills that have not been developed.

This budget does two things which have been confirmed and reconfirmed by a number of individuals and groups who have had the opportunity to go into some of the budget measures in detail. This budget raises revenues and at the same time changes the taxation system.

There are many things to discuss about the way in which we are changing the taxation system, especially at a time when we face economic recession. What is important is that even in 1977 when this question of tax reform was considered, it was clearly stated, and it has been clearly supported by members of the Liberal Party and by the government, that we should have a white paper for discussion. This would give the public an opportunity to understand and to comment on any taxation changes, something which the business community has identi-

Small Businesses Loans Act (No. 2)

fied and has reacted to very strongly, justifiably so, in my opinion. This is important because a change in the taxation system will have repercussions on the economy.

I will not talk about raising revenues any more because I do not think I have enough time to do that. However, it is well known that the government is trying through the closure of so-called loopholes—maybe loopholes in some cases which have been described previously as incentives—to grab \$47 billion. This is the amount the government has identified as escaping its net. I suggest that if that money were available, it would have been better placed in the hands of individuals than in the hands of the government. With the track record it has, \$47 billion would have been gone with very little to show for it.

● (1730)

I would like to turn now to the specific measures within the budget that will affect small business. One of these measures is the capital cost allowance which has been changed dramatically. Capital cost allowance is a mechanism which was well known and well used by Canadian businessmen to start or expand businesses and provide new opportunities for employment. One businessman stated that the change in the capital cost allowance would have been enough to stop the erection of the Stelco plant in Nanticoke. The change in the capital cost allowance will have a significant influence on business development in Canada and should be reconsidered before it is passed in its present form because it is a substantial business opportunity which may be denied Canadians.

Another measure which has been changed is the federal tax from the manufacturers' level to the wholesalers' level. Within this adjustment there will be a number of effects, among which is the raising of revenues for the federal government by up to 50 per cent. Fifty per cent of the \$5 billion which has already been collected from that tax measure is a considerable sum to be taken out of the economy. Another result of this particular change is that the wholesaler must now be involved as a tax collector for the government and this in itself involves extra paperwork. It is an additional measure which will have a detrimental impact, not only on inflation but on the actual difficulties faced by small-business men throughout the country.

The capital gains tax measures have been discussed by many hon. members, and it is our hope that they will be changed. These measures are affecting the ability of small business to be transferred. It is unfair that this provision requires a small-business man or farmer to pay the total tax on a sale in spite of the fact that the only way he might be able to sell or transfer his business is by partially financing the transaction through a mortgage held by himself. It will be very difficult for small businesses to be transferred under these conditions and this must be changed.

Investment interest is another issue which should be discussed. I would like to quote from the comments made by the Board of Trade in Metropolitan Toronto which perhaps described the effects of this measure most aptly. Before doing so I would point out that one of the hallmarks of the entire