Waterloo (Mr. Saltsman). We have no feelings about it one way or the other.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, I believe the hon. member for Waterloo (Mr. Saltsman) is a very generous and co-operative person and is willing to agree. I think, also, that if we adjourned seven minutes from now there might be some disappointment among all these friends of ours in the press gallery who anticipate something happening at five o'clock. So we have to stay here anyway.

Mr. Saltsman: I am willing to allow the hon. member for Don Valley to proceed. There will be enough time left for me to present my motion.

Mr. Kaplan: Mr. Speaker, I should like to thank the House, and in particular the hon. member for Waterloo (Mr. Saltsman) for affording me this opportunity. In my consideration of the white paper I was speaking of its effect on small business. Many critics regret that more attention has not been paid to the importance of small and independent business. I regret this as well, and I want to make a few comments about it. But before doing so I would like to contradict those hon. members who suggest that small business has now been put on the same basis as big business. This is just not true. Although initial rates are the same, the closely-held business tax can be fully integrated with the personal tax of the owner, while the tax on the big, widely-held corporation can only be half-integrated. By my reckoning, this still gives the successful small businessman more than $10,000 a year less tax than the man who shares the profits of big corporations. Moreover, as a further preference over big business, he is not subject to the peculiar and difficult obligation to pay a tax every five years on the increased growth and value of his business.

But the white paper as it stands has met some criticism from small business in spite of its continued favoured treatment vis-à-vis big business, and I would like to deal with these complaints. The complaints are partly legitimate, partly not. It does not seem fair to me that the small businessman should be able to continue to pay less tax on his disposable income than the fellow who may be an independent professional, a salaried worker or an incorporated businessman. That is the effect of the combination of a low rate on corporate accumulation and the variety of techniques available for extracting retained earnings at lower rates of tax. On the other hand, unlike the professional or salaried employee, the small businessman has a special need for capital to grow, which the low rate in the past provided.

This low rate encouraged him to leave profits in the business and to use them constructively. Much has been said about the value and importance of small business in our economy. It is not necessary to repeat it, but to highlight the special problem of the businessman who wants to expand, I need only observe that the cost of increasing inventories of goods and the expenses of plant expansion are not deductible and never have been. The least that can be said for the low rate is that it gave some relief to the businessman who wanted to apply his capital to either of these socially worth-while objectives.

So that while I am against the preservation of the low rate, I would like to propose a measure which is not inconsistent with the white paper in its present form. It will also assist small business in its need to have the use of capital to expand which, so far as I can see, is the only legitimate claim the small businessman can make for special treatment. In this respect, the small businessman's problem is heightened by the reduced availability of capital from conventional sources. At the same time, while providing capital to growing businesses, the proposal will not narrow the tax base or reduce the ultimate tax payable to the government.

What I would like to suggest might be called an expansion allowance. Like a capital cost allowance, it would permit the acceleration of deductibility of certain costs of inventory and plant expansion, and I hope that it would apply to 100 per cent of the costs concerned up to a reasonable maximum of, say, $15,000 per year. To achieve its purpose of encouraging businesses to grow, it would be applicable only to increases in inventory over the prior year and to increases in classes of capital expenditure. Eventually, when the concern's growth slowed down and the special claim for capital was no longer present, the expansion allowance would no longer be available. The deferred taxes would then become payable through liability to tax at the normal rate but still, of course, subject to the tax advantages over the widely-held corporations which I described.

• (4:40 p.m.)

The proposal for an expansion allowance will remind some hon. members of the proposals of the Carter report for special