

*Income Tax Act*

niques. Some companies are likely to say, "We have to use up this surplus we have acquired at the differential tax rate, so why don't we pad the others a little?" What was supposed to be a spur to efficiency turns out to be simply a nice, fat cushion to pad them for a number of years, encouraging inefficiency.

While the objective of assisting small business is worthy and one which I think we should be pursuing, in my view the way we have approached it is all wrong. It has been costly and has had the opposite effect of what was intended. I think the proposals should be scrapped; they are the same kind of approach with, admittedly, a different mechanism. By introducing this new legislation the government thinks it has closed all the loopholes.

• (8:50 p.m.)

Even the most sanguine people in the government—I am speaking not only of those in the political part of the government but of those who are government advisers and tell the government how things should be done—will know that from here on in that surplus of up to \$400 million for small business will be an irresistible lure for anyone looking for ways in which to advise people to get out of paying certain taxes. Periodically they will come to us and say, "This has become a hopeless mess. Let us take this provision out because people have found a way of working around it. Let us take it out and replace it with a preferential tax rate of 15 per cent, say."

They will say that because the tax system will not have worked as we all thought it would work. How often have we gone through this in the House merely because the tax system had not worked as we thought it would. The accumulated surpluses will work against efficiency in the management of business operations. We have been forced to admit that our legislation has been a failure and we have said, "Let us clean up this thing. Let them take it out at a rate of tax below what it would normally be and start all over again."

We are starting on the same path that got us into this trouble before. I think this is important and we must be careful about what we are doing. If you start out to help, but then go the opposite way, what you will be doing in some cases will be worse than useless. This, to me, appears to be the situation at the moment regarding this section concerning the corporate program. I am suggesting, Mr. Chairman, that the wage and salary earners of this country are being asked to pay \$400 million more in taxes than they would normally be required to pay under existing legislation.

Actually, in this case, I think the figure should be reduced to \$300 million. That is still a very substantial amount to take from the wage and salary earners of this country for a program that will not be effective or that will be only marginally effective and will lead to all kinds of new difficulties in the taxation of corporations in this country. Also, it will further remove the real possibility of providing a much better level of assistance to small business than is contemplated in the program before us.

**Mr. Lambert (Edmonton West):** Mr. Chairman, sometimes when we get involved in debates like this our hopes sink very low. Our spirits may sink. However, after listening to the hon. member for Waterloo, I am always brought

[Mr. Saltsman.]

back, shall we say, to the realities of what makes this economy tick. The hon. member is a charming fellow; you could not ask for better. But I do not know where he learned his economics, I do not know where he learned his principles of taxation, and I do not know whether at times he is paying lip service to the doctrinaire stands of his party or is coming out with some new theories.

**Some hon. Members:** Oh, oh!

**Mr. Lambert (Edmonton West):** I hope the hon. member will stay. I am not going to castigate him.

**Mr. Saltsman:** I want to improve my knowledge of economics.

**Mr. Lambert (Edmonton West):** I think I heard the hon. gentleman say that there are certain programs, not necessarily those contained in this tax bill, which hold out an incentive or a particular inducement to small businesses. According to the hon. gentleman, some economist—he remains nameless because I do not think he can substantiate this—says that this will cost the country \$400 million per annum.

**Mr. Saltsman:** It was not an economist. The Minister of Finance said that.

**Mr. Lambert (Edmonton West):** I do not know who said it, but that is the most unadulterated tripe that could be peddled by anyone. That statement regarding the \$400 million presupposes that there is that amount taken out of the stream of economic activity and somehow buried, secreted, burned or wasted somewhere else. Of course, that is not so at all. To the extent that such incentives to small business provide jobs and provide the scope for advancing or expansion, if the impact of tax does not bring about a passing on of an increase in prices then the whole national economy gains, and particularly those people that the hon. member is ever wont to come to the defence of, the people who are not engaged in business on their own behalf.

Let us look at the \$400 million that the hon. member says will be the cost of such a program of incentives to small business through the two-tier system, or whatever one may want to call it. Surely to goodness we know and he knows, and if he does not know it is high time he did—and it would be far more honest of him to admit that this is a fact—that an income tax increase whether imposed on business, on salaried individuals or on persons earning wages, is passed on at the first opportunity. And who ends up paying the increase? John Customer does. The Canadian public ends up paying it. And who is the gainer? The Minister of National Revenue.

**An hon. Member:** Not personally.

**Mr. Lambert (Edmonton West):** I mean, the government. The Minister of National Revenue epitomizes the government. It is the government and not the minister personally that ends up as the gainer. And what does he do with the money? I know that the NDP approves of money being taken into public coffers that shall be subject to the direction of some faceless individuals, suddenly become genies, who frankly have not made a success of their own affairs but are great in telling others how they should run theirs.