

people are entitled to claim depreciation and expenditures against profits.

• (1125)

If the company is, indeed, spending at least as much in terms of expansion and depreciation which it can claim, as it makes profits, obviously it will not be paying taxes. However, eventually, unless it keeps on expanding and adding constantly to its plant, it will be called upon to pay taxes. It is the same for any individual who can claim losses in a particular year. If he keeps on making money he will pay taxes later on. This is the situation which applies both in the personal income tax area and in the corporate income tax area.

What my friend has to remember is that these tax incentives are built in so as to expand plants in Canada, expand investment and create jobs for Canadians, which I am sure my friend would also want to see happening more and more.

Mr. Riis: Mr. Speaker, the question which was posed to that executive was not if he planned to pay taxes in terms of the corporation, regarding deferred taxes, but when. His response was, I believe, very typical of many senior executives today, Mr. Speaker. "Never" does he plan to pay those particular taxes. It is a real shell game, which goes on and on.

TAXES PAID BY SMALL BUSINESSES

Mr. Nelson A. Riis (Kamloops-Shuswap): My second question directed to the Minister of Finance is this. According to the Canadian Federation of Independent Business most of the job-creation, as we all know, occurs in the small business sector which pays an average tax rate of 24 per cent. However, the Minister of Finance will know that a few years back Shell Canada paid no income tax, Trans Canada Pipe Lines paid a tax rate of 7 per cent, Husky Oil paid a tax rate of 5 per cent, and the Royal Bank of Canada and the Bank of Montreal paid no taxes in 1982.

How long does the Minister of Finance plan to stand idly by, continually asking the small business sector to maintain its particular share of taxes when, because of his Government's tax incentives or, as some people like to call them, tax loopholes, major corporations are making considerable profits and paying no income tax? How long is the Minister prepared to stand back and let this system continue as it is?

Hon. Marc Lalonde (Minister of Finance): First of all, Mr. Speaker, I believe my friend needs help in terms of logic. You cannot compare an average when you look at the small-business sector and say the average is such a percentage of taxes, then take individual large corporations and say this one and that one has not paid taxes. I could make, I suppose, a list of hundreds, probably thousands, of small businesses which also pay no taxes.

What my friend has to look at is the effective tax rate which is being paid by large and small businesses. If my friend looks at the figures he will find that, indeed, when one looks at the effective tax rate being paid by small and large businesses in

this country, as far as the tax rate itself provided by the law is concerned, small businesses pay proportionately less in terms of the effective tax rate than the larger firms.

I have announced a number of measures in the Budgets of last year and this year which are aimed specifically at giving greater incentives and support to small businesses. I have made it a priority of my responsibility as Minister of Finance to come to the support of the small and medium-size business sectors because, indeed, I believe they are the main creators of jobs in this country.

Again, I want to refer only to the last Budget in which I announced a measure which would cut by three-quarters the income tax legislation dealing with small business, and would generate about \$150 million of tax savings to growing small and medium-sized businesses.

Mr. Riis: Mr. Speaker, the Minister of Finance will know that if you take the average of all the corporate taxes paid, the effective tax rate last year came in at 23 per cent. That is the average corporate tax rate in this country. I suspect that amply demonstrates that the corporate sector is not paying its fair share of taxes.

SHARE OF TAXES PAID BY CORPORATIONS AND INDIVIDUALS

Mr. Nelson A. Riis (Kamloops-Shuswap): Mr. Speaker, my third question refers directly to this point. Back in 1950 the corporate sector and the personal sector paid on a 50-50 basis. All income tax collected by the federal Government was on a 50-50 basis. Since 1950, Mr. Speaker, 75 per cent of the tax burden imposed by the federal Government falls directly on the individual taxpayers of Canada, on the personal income tax side of the ledger. I ask the Minister how much longer can we expect the Government to have in place a tax system which moves more and more of the tax burden onto the backs of individual taxpayers in order to allow more and more corporate bribes?

• (1130)

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, my friend will have to reflect a little bit on the nature of corporations when he says they are paying less taxes. Corporations are legal entities, but in the end they do not have an individual physical existence. Behind corporations you have shareholders and employees, et cetera. My friend refers to the percentage of taxes in the 1950s. I would like to know what his Party's objective would be for an ideal division of the tax load between the corporate sector and the personal sector.

I invite him to reflect on how many corporations would establish and carry on businesses in this country if you ended up with a tax situation where they would be paying, let us say, twice as much as they would be paying in the U.S. or Europe. You have to watch constantly the evolution of the situation in industrialized countries and make sure your tax burden on corporations does not get seriously out of line with what is happening amongst your competitors. This is for the very obvious reason that the corporations and the jobs will move to