

*Income Tax Act*

the country are unaware of the true incidence of taxation as it applies to co-operatives and their members. The fact is that the incidence of tax now falls upon the members no matter what happens, and the effect of the proposals which are being made to us by the credit union and co-operative movement is to reinforce this integration of tax liability upon the members, rather than upon the organization which they have formed to render service to themselves.

I think also it is important to bear in mind that neither the co-operatives nor the credit unions are seeking exemption from taxation but are inviting this House to consider the fairest way of applying it and achieving an equitable incidence of that taxation as between these organizations and their members. I hope hon. members will have registered very carefully the serious point made by the hon. member for Regina East in which he pointed out that there is a defect of serious proportions in the definition of a co-operative in the bill. The present definition, as I understand it, would exclude the large co-operatives which are well known to all of us, the large co-operatives in western Canada such as the prairie wheat pools and others which operate on a delegate system of voting. This, to me, is something which requires immediate repair and attention and I do not think it would be prudent for any of these sections to be incorporated until this type of curative amendment is placed before us.

• (4:40 p.m.)

At this stage, Mr. Chairman, I should also like to comment on the substance of the amendment proposed by the hon. member for Regina East. He was quite correct in asserting that the basis for the computation of tax against credit unions and the co-operative movement is entirely novel. These are the only organizations in the country to whom income is imputed for the purpose of computing tax. And this basis of the imputation of income is one which co-operatives have consistently and correctly objected to, in my opinion, for many years. It is proposed that parliament take advantage of the fact that our tax system is undergoing major review and that this type of artificial approach be eliminated. The proposal is that tax be levied, as it should be, on the cash which flows through to individual members and that some appropriate, average rate of tax be applied that would give proper recognition to the reality of the operation of co-operatives and credit unions. These organizations propose that the incidence of the tax shall apply, not artificially, to the corporate body but, rather, to the members. I hope that hon. members will have an opportunity to comment on the detailed suggestions made by the co-operatives and credit unions. I suppose I ought to give fair warning of my further intervention at a later stage of debate.

**Mr. Orlikow:** Mr. Chairman, let me begin by saying that for the first time since the hon. member for Grenville-Carleton was elected, I agree with the position he has taken and look forward to seeing him vote for the amendment proposed by the hon. member for Regina East when that vote is called.

Ever since the Carter Commission report was published, we have seen in this country a concerted effort by the vested interests of this country to get the government to reject, in principle and detail, every useful recommen-

[Mr. Blair.]

dation made in that report. Virtually every proposal for equity spelled out in that report has been either ignored or watered down by the government, and almost nothing remains of the original commission recommendations. If the government were not so concerned about protecting the interests of this country's corporations and of this country's self-employed people who, as Carter pointed out, have done very well over the years out of the existing tax system, we would not need to consider a bill like Bill C-259 which runs for more than 700 pages. A bill running to more than 700 pages is needed because the government has taken so many steps to protect the concessions which have been made over the years to business interests and to self-employed people.

Ever since the Carter Commission made its report, representations have been coming to the government and to Members of Parliament from mining companies, oil companies, manufacturers and the self-employed. These representations have attempted to show why the principles enunciated in the Carter Commission report should not be implemented. When the government brought out its white paper we saw, at that time, just how far the government had moved away from those principles which had been enunciated in the Carter Commission report. Yet, even the white paper was met by hostility, almost universal hostility I might add, from the business community of this country. The business community is still not satisfied. It still attacks the modified provisions of Bill C-259, because business feels that those provisions infringe on the rights and privileges which business has enjoyed until now.

The ordinary citizen, as usual, has not been included in the representations made to the government on tax questions. The ordinary citizen who pays income tax cannot afford to hire tax lawyers and chartered accountants to put his case before the government. Our ordinary citizens have been virtually unrepresented. However, the credit unions and co-operatives which, by their very nature, deal with ordinary citizens have made representations to the government. Every single Member of Parliament, I am sure, has heard from credit unions and co-operatives in his constituency. It is no small wonder that members have heard from them, because the provisions of this bill affecting credit unions and co-operatives might just as well have been written by officials of the tax department, by the finance companies, by the Equitable Tax Foundation, by the private grain companies or by companies like the Richardson Securities Company. And, Mr. Chairman, they could not have done a better job of attempting to destroy the credit unions and co-operatives than do the provisions of the bill we are now discussing.

As a result of the complaints of credit unions made to Members of Parliament on the government side as well as to members on the opposition side, the government made some concessions. Some amendments have been brought in to lighten the full force of the crippling effect that certain provisions of this tax bill would have had on credit unions. However, I do not believe it is by accident that those sections which will most seriously affect credit unions remain virtually intact and remain precisely as the government first introduced them.

I join in supporting hon. members from all parties who have said that if the provisions of this bill affecting credit