Mr. Speaker, as we very well know, a small business has to do without a board of directors or senior management. Everything is done by the owner, by members of his family or by his partners. How do you expect big corporations, big business to invest in small businesses when the first question asked is: "What about your five-year projections? Where are your financial statements for the last five years? Have you figured out all those things?" Do you think that small businesses, the really small ones have five-year projections, that they have enough time on their hands to make five-year projections? They work day and night keeping busy as delivery man, driver, manager, secretary and accountant all in one. They have do do everything. To those people this budget offers nothing.

Mr. Speaker, I would also like to quote a few comments we heard on budget night from those organization and say how they viewed this Budget.

[*English*]

To start with, let us see what the Canadian Construction Association had to say. There were no surprises in the Budget. Bill Nevins said that the 1 per cent increase in federal sales tax effective April 1 presents a severe problem for the construction industry. It could cost the industry an additional $75 million. He was upset that there was not much advance notice given for the increase.

[*Translation*]

And that is another problem in the construction industry, Mr. Speaker, and we discussed it on a number of occasions here in this House. Long-term contracts are signed but taxes are increased as of now. Once contracts are signed, how will contractors go about collecting that tax?

● (1550)

[*English*]

The association said that contractors sell on a fixed price basis. Therefore, the contracts already signed will not take this increase into account. The contractor will have to pay for this out of his profits. Since last May the construction industry has been hit three times with tax increases: July 1, 1985; January 1, 1986; and April 1, 1986. Because construction projects take one, two, or even three years to complete and bids are made well in advance, the contractor must absorb the tax increases.

The Budget does not aid the fragile business recovery that just began in 1985. The rate of growth of business investment will be reduced. The Minister of Finance projected in his Budget that the rate of growth would be 7 per cent and Statistics Canada yesterday projected 2.5 per cent. The Member is laughing. Those are the figures of Statistics Canada.

The Canadian Construction Association also said the Budget does not give a positive framework for business. The phasing out of the investment tax credit, the elimination of the inventory allowance, and a 3 per cent corporate surtax will not help the industry, but will slow the recovery.

On Budget night Tim Bennett of the Canadian Federation of Independent for the Budget of the Minister of Finance to bear fruit. The cancellation of the 3 per cent inventory allowance will hurt all small businesses with large inventories such as car dealerships, farm equipment dealerships, and jewellers. The 3 per cent surtax on income tax will hurt proprietorship and partnership small businesses.

The federation would like to have seen a one-year holding period minimum requirement on real estate property in order to qualify for the capital gains exemption tax. It would like to have seen a limit set at $5,000 per year on private pension contributions in order to close a loophole which is very costly to the Government. The federation felt that the restrictions on the 50 per cent RRSP investment in small business should have been lifted to permit the investor to place his money in his own business, or that of a relative or a friend.

Geoffrey Hale of the Canadian Organization of Small Business said that capital gains exemption tax should have been redesigned to be further targeted at long-term equity investment. He said that whether or not the deficit can be reduced below $30 billion is totally dependent upon the investment rate. That is what everyone has said.

Corporate taxes are actually increasing, contrary to first impressions, as indicated by the elimination of the 3 per cent inventory allowance, the phasing out of the general investment tax credit starting January 1, 1987, and limitations on the ability to defer taxes by deductions for unpaid remunerations. Mr. Hale said that there is basically nothing in this Budget for the successful small businessman. The 3 per cent surtax on income tax negates all advantages to proprietorship and partnership businesses.

The night of the Budget the Retail Council of Canada was disappointed but not surprised. It was concerned that the Government sees the deficit as an expenditure problem rather than a spending problem, and that the money is coming out of the public pocket. The Government is hoping that employment and consumer spending will increase substantially. The consumer has been hit twice; once with the sales tax, and again with the surtax on income. The Government is taking a huge gamble on prices and consumer spending. The rise of sales tax could negatively impact on economic activity.

The Retail Council felt it surprising that the Government has let sales taxes increase to 10, 11, and 12 per cent after being upset when the Liberal Government increased the sales tax from 8 per cent to 9 per cent. The council was upset that the inventory allowance was removed, effective immediately, whereas the corporate reductions do not start until next year. It felt that retail business was hit.

This is not a fair Budget, Mr. Speaker.

[*Translation*]

This is not a fair budget, and the proof is that a taxpayer in the $40,000 income bracket has to pay an extra $812, while the taxpayer with an income of $150,000 gets a $5,470 reduction. That is not fair, Mr. Speaker.