

billion in income tax. Yet the government's agencies tell us that the poverty level is something less than \$8,000 a year income. I am certain the people earning under \$7,000 and who have paid \$1 billion in taxes do not think the situation is very equitable at the moment.

● (1530)

Another interesting figure in table II of the statistics reveals that 46 per cent of the personal income tax bill is paid by Canadians earning less than \$12,000, which after all is only one half the level of pay of the lowly backbencher of this House. A little higher up the scale we find that fully 65 per cent of the total personal income tax bill of the federal government is met by those earning under \$16,000. The low income earners of Canada are also suffering from galloping inflation, and even with personal exemptions indexed their tax bill is high. Indeed they are suffering the combined effects of our bad tax laws and inflation.

What else, Mr. Speaker, does our present tax system do? Instead of giving us equity it also seeks to penalize the hard worker. This does not necessarily mean someone who is a huge income earner, though the tax system affects that person as well. I have in mind a tradesman who has a certain skill of the kind Canada needs. Such a person is encouraged not to work overtime, because although he earns a big buck while doing his normal work he knows that taxes will take away so much that it is not worth his while to continue to work hard. As for those in the higher income brackets, the really high earners, our tax laws not only deter them from bending their efforts to their best advantage but also tempt more than a few of them actually to quit living in this country.

A little later on I shall be making reference to that particular problem, but I think we are all familiar with examples where really able Canadians who can contribute to our society have been frightened away by this so-called tax reform and have gone to some other place, probably a tax haven. I shall cite some figures in a few minutes showing the huge write-offs required by Canada since we are unable to follow these incomes and collect some taxes.

Let me examine for a moment one other aspect, and this is the tax simplicity that the government promised. Along with equity we were going to get simplicity. In 1917 Canada introduced a temporary tax through a measure at that time called, I think, the income war tax act. Interestingly enough, income tax carried this name till 1949, when we had another kind of tax reform and passed the plain, ordinary, Income Tax Act. I had a copy of a 1917 tax return in my possession a few years ago. It was a one-page document with no schedules or fancy calculations required. It was simply a matter of paying 5 per cent of your income to the government. That is what I call simplicity, Mr. Speaker. In the government's efforts to achieve so-called equity, we all know what has happened to this simplicity over the years, and of course the equity has gone as well.

In 1951, 25 years ago, I had the privilege of completing my own income tax return for the first time and I still have it in my possession. It really is a thing to behold. It is a simple document that would fit into the breast pocket of your jacket and is known as the T-1 short form. I am sure that everyone remembers them, but they are now a thing

### *Income Tax*

of the past, having disappeared along with the old, outdated war tax act. I do not know whether I have it with me today, but I am sure we are all familiar with the 1976 version of the taxation form for 1975, known as the T-1 general. It consists of many pages. It is supposed to be simple to complete, but the government takes no chances and provides you free of charge with a 53 page booklet to guide you through your new simplified tax return just in case you find it a little bit complicated or have some trouble getting through it.

**An hon. Member:** Like the yellow pages.

**Mr. Clarke:** Yes. These 53 pages tell you how to complete the form. This would all have been unnecessary had we been allowed to coast along with our old tax law. However, I think people still have difficulty with their returns and tax services are booming businesses in Canada these days. Banks, trust companies, and even department stores are now selling a tax service so that the poor individual who just cannot through his forms get some relief, albeit at the lifting of some dollars from his pockets.

Before I came to this place I was in the accounting profession, and I well remember how accountants and lawyers were tearing their hair out trying to overcome the problems created by tax reform as presented by the government. This may have been overcome to some degree by now since they have been working at it all day and every day, but I think it is obvious that very few of them will agree precisely on what course of action should be followed because even they are confused by the regulations. Accountants and lawyers have one slight advantage over others in that they get paid for worrying about these problems, and in view of the professional fees being asked today I think they are doing very well.

What are the things, one may ask, that are so confusing to the poor taxpayer? What does he find so difficult to understand? I have thought of a few answers, Mr. Speaker. How do you explain to a widow who is surviving on pension and dividend income, for instance, the operation of grossing up? Why should she have to pay tax on \$600 when she knows very well she received only \$400? To answer that is impossible, Mr. Speaker. I have only been able to tell them to take it up with the government at the next election. I do not think the government itself has ever properly explained that.

Then there is reference made in the booklet and on the tax forms to the income averaging provisions of the Income Tax Act. There are many examples of income averaging, but a simple one that applies to everybody every year is if their incomes have changed by more than 20 per cent over the previous year. The tax department, however, does not suggest that you try to calculate what effect the general income averaging provisions, as they are called, will have on your income, because they know it will be difficult for people to understand them. So they recommend that taxpayers do not bother doing anything with that, but that the department will feed it into the computer and get an answer. Then these taxpayers will get some money back if that is what the computer says. No thought is given to the fact that a person might want to question the computer, or that the computer might be wrong, a