

Income Tax Act

to keep them competitive for they are our major hope for expanding secondary labour intensive industry in Canada. In short, Mr. Chairman, we are not happy with FAPI.

Mr. Saltzman: Mr. Chairman, throughout this debate the New Democratic Party has taken the position that the tax system should be one in which people in similar circumstances are treated alike. In general, we refer to it as a matter of equity. We think that equity is as important to the corporate sector as the private sector. We see no reason a corporation which is domiciled and does its business in Canada and pays the full rates of tax should be treated differently from a corporation that invests outside of Canada and receives its income there. It makes no sense in a country like ours, which is seeking internal development and is so reliant on foreign capital, to say you are going to disadvantage indigenous corporations, in effect those who invest inside Canada.

We took exception when the export insurance bill was before the House. We pointed out that the government was introducing measures to stimulate the export of capital. We are in favour of assisting other parts of the world that need our technology, skills and money, but we are not prepared to see the world civilized by international corporations, whether they be Canadian, American or anything else. We do not trust them. We do not believe they act in the best interests of the nationals of the country in which they are situated. They are there to make money; that is their term of reference. Sometimes making money may coincide with the best interests of the country in which they are located, but all too often it does not. We have only to look around the world today to see the conflict that is developing in every country of the world between the attitude and objectives of the international corporation and the national objectives of those countries.

We in Canada are familiar with the difficulties that we experienced because of an existing amount of foreign investment or, more properly, multinational investment in Canada. A lot of this investment comes from the United States. We tend to think that the people in the United States are keen as can be to have this investment in Canada. The international corporation may be keen on it, but not the ordinary citizens of the United States. That same concern that we have developed about the international corporation in Canada is being felt in what is essentially the home of the international corporation, the United States. Certainly, the greatest development of that form of corporate organization is in the United States. The ordinary working people in the United States are saying "We want your investment here. We need some of your investment here in order to provide jobs for our own people." The objectives of the international corporation are not the same as the objectives of the people of the United States, Canada, Liberia or any other country. Therefore, our position is that there should not be any difference in treatment between a corporation that derives its revenue from investment and operations in Canada and a corporation that gets its revenue from outside this country.

We think the government has weaselled and backtracked on what it started out to do. It started out to treat these organizations in a reasonably similar manner. How-

ever, it has backed off a lot of these proposals, thereby weakening its position. It has provided advantages to income derived outside of this country. I do not think it intended to do that originally. The original position, that of the white paper, was a considerable departure from what Carter recommended, namely complete equality. The white paper subsequently watered that down by amendments, additions and various interpretations. We do not support the government on this weaselling that they have carried out under pressure from the larger companies.

I wish to read an analysis of the present tax situation made by Mr. Samuel R. Baker when speaking to the Canadian Tax Foundation in Vancouver. This quotation appears in the *Globe and Mail*. Mr. Baker is referring to the behaviour or the kind of taxation to which the international corporation is subject and the results of that. I quote:

"The result is to permit Canadian residents, through proper planning, to conduct their affairs outside of Canada through non-resident corporations and trusts substantially without reference to the Canadian system of taxation.

The existing system is so open that it has not only allowed Canadian taxpayers the freedom to compete with businessmen from other countries through the use of various tax planning techniques, but has in effect provided loopholes whereby some taxpayers have adopted practices for the avoidance of tax on Canadian-source income which, in the Government's view would ordinarily be taxed in Canada, by diverting such income to tax-haven jurisdictions."

How does it feel to a Canadian manufacturer who is trying to make his living within the confines of Canada to see that people who invest outside the country, which is contrary to the national interest in most cases, are given far more favourable treatment? The member who just spoke referred to the fact that the revenue that would be obtained by taxing corporations on their out of country income would not amount to a great deal more than \$10 million. For that amount of money we should not bother to erect barriers to investment outside this country. But even assuming that \$10 million is reasonably accurate as a figure and that we are not going to get more than \$10 million, the point is that loopholes do exist. Canadian companies see their competitors or other companies that invest escaping substantial taxation or being subject to ordinary taxation, as the case may be, by investing outside the country and building up tax havens elsewhere. As a result these companies wonder why they should be good citizens when they can do the same thing, and very quickly the \$10 million becomes \$100 million.

• (4:10 p.m.)

The greatest disservice anyone can provide to the development of indigenous Canadian industry is to grant special incentives and privileges to those who invest money outside the country from which they derive income. Over a period this will destroy the effectiveness of Canadian manufacturers and industries to compete and to continue their present mode of operation. I also ask, what is the point of developing and encouraging industrial activity outside the country. It does not provide employment in this country. Very often there may not even be use of materials produced by this country. If this sort of investment is encouraged and taxes are not collected on the income therefrom, then what is the point of it? What use is