

Income Tax

cerning why they feel they are totally incapable of controlling their own spending.

Hon. John N. Turner (Minister of Finance): Mr. Speaker, we want to co-operate with the House in having a thorough debate on this bill. We look forward to going through each of the clauses in detail and furnishing explanations. We hope the House can make some progress with the bill so that we can authorize refunds to millions of Canadian taxpayers. Those refunds are now being held in abeyance as this debate prolongs itself.

Mr. Alexander: Never mind that line of nonsense.

Mr. Turner (Ottawa-Carleton): I have listened to the selective citations and statistics quoted by the hon. gentleman ever since he came into the House. He has gone carefully through reports quoting the odd sentence that favours his thesis. He has gone into national accounts comparing total cash deficits against budgetary figures. He has compared non-budgetary projections against budgetary realizations. That is comparing apples with oranges. That is the technique he has used ever since he came into this House, and he displayed it admirably this afternoon.

Mr. Stevens: Would you be specific on that?

Mr. Turner (Ottawa-Carleton): Yes. This afternoon the hon. gentleman said that I had projected a cash deficit of \$1.6 billion for 1974-1975 and \$3 billion for 1975-76. Yet he looks at the current budgetary account and says we have a surplus. He is comparing a surplus account before the final drawdown with a total cash deficit which includes both non-budgetary and budgetary expense items. In other words, he is comparing apples with oranges and is misleading the House. If hon. members read the record of the debate, they will see exactly what he has tried to do.

I want to deal with certain specific allegations he has made during the course of the debate both on the main motion and on the amendment. He alleged, first of all, that in 1974 direct personal taxes jumped by 27.6 per cent; therefore, the Minister of Finance owed the Canadian public a tax cut. I want to state to the House that there were several factors which affected the growth of personal income tax revenue in 1974. First of all, as hon. members will recall, the government increased the amount of family allowances to \$20 per child beginning January, 1974; these allowances became taxable and, of course, are reflected on the increased revenue side. This change is reflected in higher income tax revenue in 1974, even though the extra tax liability on individuals is more than offset by the increase in family allowances paid to the family. But in the revenue figure it appears as an increase. Second, the increase in personal exemption in the form of a federal tax cut in 1973 substantially reduced government revenues for the year 1973. Of course, this reduction for the base year, which again he compares to 1974, is reflected in a higher percentage increase in revenue for 1973-74.

● (1520)

The second allegation the hon. member made—repeated it again this afternoon—is that the minister's proposal to reduce personal income tax by a mere 3 per cent is, in his words, not adequate. The increase in the

[Mr. Stevens.]

federal tax cut proposed in the November 18 budget more than doubles the total cost of tax cut measures, and the increase in the minimum tax cut from \$100 to \$200, the maximum from \$500 to \$750, and the rate from 5 per cent to 8 per cent, is equivalent to a flat percentage tax reduction of more than 7 per cent for all Canadian taxpayers.

Some hon. Members: Hear, hear!

Then the hon. gentleman refers to the cash balances which are running somewhere between \$4 billion and \$5 billion and says, "Look at all this money that should be distributed to Canadian taxpayers". This money is held to cover the deficit for the remainder of the 1974-75 tax year, a range of \$1 billion. It is held for the deficit, as I indicated to the House, for the 1975-76 year of \$3 billion, although I might say that in terms of the projected reduction in corporate tax revenue as a result of the falling off of exports, and higher payments for unemployment insurance, that deficit of \$3 billion will be substantially exceeded.

In any event, these cash balances are money in the bank for Canadians to cover these deficits for the 1974-75 fiscal year and for the 1975-76 fiscal year so we will not have to go substantially to the Canadian market, leaving the market free for the provinces and the private sector in order to continue the capital investment we need to sustain the economy. This will put less pressure on interest rates against which the hon. gentleman has argued. So to say to the House that these cash balances ought to be distributed by way of further tax reductions would, first of all, limit the tax reductions already in play and, secondly, it would have an aggravating, accelerating effect on interest rates for 1975.

The hon. member for York-Simcoe (Mr. Stevens) went on in his argument to ask why the remaining 5 per cent tax on building materials was not removed. This is an arguable proposition. One has to decide where taxes are to be imposed and where they are to be removed. The reduction of the tax rate on building materials from 11 per cent or 12 per cent to 5 per cent—the hon. gentleman suggests it should be reduced to zero—is one of the several measures included in the budget to facilitate home acquisition and stimulate the housing industry. To reduce the rate to zero would have cost an additional \$380 million, as I indicated earlier to the House. This would have been at the expense of other budgetary measures which in our view will provide a more equitable and progressive distribution of the benefits to Canadians. I would remind the hon. member of the exemption of \$1,000 for pensioners, the exemption of \$1,000 in respect of interest payments and dividends, and the reduction in personal income tax rates. We believe that lowering the rate by more than one-half will provide a significant stimulus to housing, while extending the reduction to construction and engineering materials will broaden greatly the favourable impact on the economy.

The fourth argument of the hon. gentleman, in terms of selective statistics, was that the—

—bulk of the minister's so-called tax concessions are the result of indexing, a Conservative proposal, and the partial removal of the sales tax on building materials.