

## GOVERNMENT ORDERS

[English]

### INCOME TAX ACT

#### MEASURE TO AMEND

The House resumed consideration of the motion of Mrs. McDougall that Bill C-7, an Act to amend the Income Tax Act and related statutes, be read the second time and referred to the Committee of the Whole.

**Mr. Steven W. Langdon (Essex-Windsor):** Mr. Speaker, we are continuing to debate the principles associated with Bill C-7. In our opinion, it is a question that concerns the degree of priority the Government has given to what is essentially a housekeeping Bill as opposed to some more fundamental initiatives that would do something about the unfairness of the tax system.

We are particularly concerned about the way in which the Government, in an effort to draw more tax revenue, has focused on individual taxpayers through the establishment of a new set of inspectors to deal with them as opposed to focusing on the corporate sector.

Before we rose at one o'clock I was dealing with the question of transfer of payments by large corporations, both Canadian and foreign, and the way that permits tax avoidance to take place. That costs us money.

In the past we have heard comments from officials in the Ministry of National Revenue that indicate very clearly that they do not have enough inspectors to be able effectively to police the large number of transactions that take place across borders by Canadian and foreign corporations dealing with their own subsidiaries. There are classic cases, such as Canadian companies with subsidiaries in the Bahamas, or Bermuda, which on paper will sell items to that subsidiary and then buy them through other subsidiaries, with the material never actually moving back and forth from one country to another. In each case, the effort is to avoid tax responsibilities and tax levies here in Canada.

Instead of concentrating on these important examples of tax avoidance where literally millions of dollars are lost to the Canadian authorities, the tax department in this country has focused on small Canadians. My colleague, the Hon. Member for Kamloops-Shuswap (Mr. Riis), has talked about a number of these cases in the context of British Columbia. With respect to my constituency of Essex-Windsor, we have discovered that many low-paid waitresses have been the focus of detailed investigations by the tax authorities of this country. We have seen dozens of women who often work part-time for very low wages being harassed by the tax authorities because of suspicion on their part that these women have not been declaring the tips which they received as waitresses.

In fact, as a result of detailed investigations by the Hon. Member for Windsor-Walkerville (Mr. McCurdy) and myself, we have discovered that people affected in this case are being attacked by Revenue Canada even though in many cases these

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women have kept careful records of the tips they have received. Their strong feelings have been conveyed to those tax authorities that this was deliberate harassment rather than any kind of fair attempt to get a sense of what was really going on in their personal finances.

We suggest that the Government, rather than giving priority to tidying up tax matters left by the last regime and making a systematic attempt to harass yet more individual Canadians through new tax inspectors, should be making an effort to tackle the tax avoidance problem associated with transfer pricing and attempting to establish more fairness in the tax system by improving the corporate and personal tax system.

It is fairness in the personal tax system which is perhaps the largest problem about which we have heard from our constituents throughout the country. Our Party believes that the tax system should be a good deal more progressive. While the tax system looks progressive on paper at the moment, when one actually examines the effective marginal rate of taxation as analysed this past year by the National Anti-Poverty Organization in a detailed report, one finds that the effective marginal tax rate for those making over \$50,000 a year is only 29 per cent. The rate for those earning between \$40,000 and \$50,000 a year is only 29 per cent. Even for those earning \$35,000 per year the effective rate is only 28 per cent once you take into account income which is exempted from tax through various exemptions. That is not a very steep increase in the tax system reflecting the principle to which I think most Canadians hold. If you earn more you should pay a higher share of the dollars you are receiving to the personal income tax system.

• (1510)

We are also concerned within the income tax system about the way we continue as a country to rely on deductions rather than tax credits. As we know, a tax deduction for a registered retirement savings plan of \$5,000 is worth very much less to somebody who is making, let us say, \$25,000 a year than it is to somebody who is making \$50,000 a year. Even though the progressive nature of the tax system is not great, nevertheless the marginal rate of tax is higher on that \$5,000 for the person who is earning \$50,000 a year.

We urge the Government to move to reform our system by shifting from a system based on deductions to a system based on tax credits, following the principle of the child tax credit scheme which is one of the few examples in the tax system of a tax credit rather than a deduction approach. We also suggest that the system of tax expenditure needs to be brought back into our budget. A number of my colleagues have already made this point. We consider it serious and important that we have as taxpayers a continuing record in which various tax exemptions and tax advantages are being shared across the income classes and throughout the country.

Finally with respect to the income tax system, I urge the Government as it conducts a more comprehensive analysis of changes that need to be made to take a careful look at the tax credit for children. At present this tax credit has given us a lump sum. The result is that many poor women go to tax