

Income Tax Act

• (3:20 p.m.)

GOVERNMENT ORDERS**INCOME TAX ACT**

The House resumed, from Wednesday, November 17, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson—Mr. Honey in the chair.

The Chairman: In accordance with the statement made by the Parliamentary Secretary to the Minister of Finance, as recorded on page 9630 of *Hansard* for Tuesday, November 16, 1971, the committee will now proceed to sections 135, 136 and 137 dealing with co-operatives and credit unions. Hon. members will know that with respect to these three sections there are four amendments before the committee that were moved by the government.

On clause 1—section 135: *Deduction in computing income.*

The Chairman: Shall the amendment to section 135 carry? The hon. member for Regina East. May I beg the pardon of the hon. member for Regina East. I did not notice the hon. member for Moncton in his place. I think I should recognize him in the first round of debate on this group as a spokesman for the official opposition.

Mr. Thomas (Moncton): Thank you, Mr. Chairman. I presume, in speaking on these sections, we will probably follow the practice we have followed of discussing these three sections, 135, 136 and 137, at the same time because they definitely are related. Is this correct?

The Chairman: That is my understanding.

Mr. Thomas (Moncton): Mr. Chairman, these three sections of Bill C-259 illustrate very vividly the problems this House faces in attempting to intelligently and dispassionately discuss this bill. Very few other sections have caused as much controversy as these three. There has been a great deal of argument pro and con concerning the purpose and effect of these amendments. I should like briefly to discuss, as dispassionately and objectively as I can, the reason the government has brought in these amendments and my view concerning why I believe these amendments are not desirable.

In most of the presentations which come in on either side of the fence, there is obvious concern about the purpose of the amendments and the reason the government deems them to be desirable. I have read the white paper and all the preliminary background material to this bill. The only excuse the government has given for these sections is contained in the statement of the Minister of Finance to the House on the proposed amendments to these sections. At that time the minister stated that the original changes created a great deal of discussion and went on to say:

The government's intention in the tax reform bill has been to provide a more appropriate tax treatment of these organizations in relation to other business enterprises.

[Mr. Speaker.]

That statement says very little and many things can be read into it. One thing I read into it, however, is that the minister considers these amendments to be reform. Many things have been said or done under the guise of reform in this tax bill. We continually hear the government spokesman, the parliamentary secretary, talk about reforms and how these sections will benefit the taxpayer and make the act more equitable. I have yet to have explained to me—and perhaps the parliamentary secretary will do so later—how these sections contribute to tax reform. I should like to know how they reform a section of the Income Tax Act which has been the subject of a great deal of controversy for a great many years and, in fact, ever since its existence. If the parliamentary secretary can explain this later, I would be happy to have him do so. However, since we are talking about tax amendments or tax reform I believe we must keep in mind that a good tax system demands certain prerequisites. There are many and varied ideas concerning a tax system and what it should do. Briefly, I should like to present to the House my ideas of what a tax system should be, and how I feel these sections are in conflict with the basic principles of a good tax system.

First, I think any tax system should be designed with simplicity of application in mind. After all we are dealing here with hundreds of thousands of individual taxpayers and any good law should be an intelligible law. I do not need to comment further on how these sections meet this criterion, other than to say that these sections along with the more than 700 pages of the bill, the more than 100 amendments, the amendments to amendments and second and third editions of amendments have not only confused the ordinary taxpayer but have also confused the tax consultants, tax accountants and tax lawyers. In fact, these sections, along with other sections of this bill, lead to such complete confusion that most responsible people are now suggesting the government should start all over again.

The second criterion I would suggest which should be very essential to a tax system is the principle of equity. Equity oversimplified simply means that taxpayers in similar circumstances should carry an equal share of the tax burden. This is a theory which was made popular by the late Kenneth Carter and has led to the "cops and robbers" theory of taxation which this government has adopted and in which the Minister of Finance has become the proclaimed Robin Hood. A taxation system is much more complex than the simple theory of equity according to which everyone pays an equal share of the tax burden. I was interested in reading an article by Howard Ross of the Private Planning Association of Canada in which he discusses this apparent preoccupation of the government with the theory of equity in taxation to the exclusion of all else. Page 19 of this booklet of the Private Planning Association of Canada contains this statement:

I would be much happier if the minister talked, not of his great ambition to give us an equitable tax system, but rather of making our system work better. I despair of a really satisfactory solution unless we abandon the defender-of-the-poor posture and adopt a tough clinical determination to look at our problems unemotionally. We will not have achieved the right atmosphere for optimum solutions until someone can get up and announce publicly that he is not in favour of attempting to close all loopholes in our tax legislation.