

*Income Tax Act, 1986*

who is the chairman of the Finance Committee of this House whether he believes it is fair and just for a bank teller to pay much more as a result of the increases in taxes than the bank president.

The National Anti-Poverty Organization goes further:

The regressive nature of these taxes means that they hit hardest at those who can least afford to pay increased taxes.

That is what we are objecting to.

[*Translation*]

Mr. Speaker, the budget reveals the true face of the Mulroney Government. It is a retrograde and antisocial budget in which the Government backs down on its promise not to reduce social expenditures. It is a budget which is more harmful to the poor than to the rich. Poor and middle-income families will have to pay more taxes, more commodity taxes, and the tax rates will no longer be fully indexed to the cost of living.

[*English*]

We are debating Clause 65 at the present time. It provides for the deindexation of tax brackets relating to personal exemptions and to the child tax credit. Let me deal first with the tax brackets and the personal exemptions, Mr. Speaker. Taxpayers will pay higher taxes simply because of inflationary increases in income. Any person who has worked for a number of years knows that every year he or she asks for a cost of living adjustment. If the cost of living goes up by 5 per cent, people want a cost of living adjustment of 5 per cent in order to keep pace with inflation, in order to preserve their purchasing power.

Under the provisions of the Income Tax Act presently in force and introduced by the Right Hon. Leader of the Opposition (Mr. Turner) when he was Minister of Finance in 1974, the Income Tax Act permits such an increase to take inflation into account without taxing the taxpayer for such an increase which only allows him to keep pace with inflation.

The Conservative Government is saying to taxpayers that the first 3 per cent of that inflationary increase will no longer be compensated for by the Government. Taxpayers will now have to pay for that 3 per cent increase out of their pockets. The Government will pay only for increases exceeding 3 per cent. All taxpayers who see their salaries adjusted simply to keep pace with inflation will have to pay additional taxes, even though they are no further ahead and even though their incomes have not increased in real terms.

• (1620)

The other provision to which I referred earlier deals with the child tax credit. Clause 65 also provides for the income base of \$23,500 per year as the threshold amount of family income beyond which the child tax credit is reduced. This base will be adjusted each year for increases in the Consumer Price Index beyond 3 per cent. The poorest families in our society, many of which are single-parent families, receive the child tax credit. They will have money taken out of their pockets because of the provision in Clause 5. It means that \$23,500 in 1986 will not be worth the same in 1987 if inflation rises this year by 4 per

cent or 5 per cent. The people who receive the child tax credit will, nonetheless, be affected by the threshold change as a result of the provision in Clause 65. Again the Government is making them assume the first 3 per cent increase in the rate of inflation.

There is a number of other provisions which I will have the pleasure of dealing with during the course of debate on these amendments. I thank the House for the opportunity to express my views on the effect of the deindexation of the income tax system.

**Mr. Geoff Wilson (Swift Current-Maple Creek):** Mr. Speaker, probably enough has been said. In fact, it seems that almost everything which could possibly be said about Bill C-84 has already been enunciated time and time again in the House. Nonetheless, I respect very much the abilities and experience of the Hon. Member for Saint-Henri-Westmount (Mr. Johnston) who put forward Motion No. 4 relating to Clause 65 of the Bill. I note with some astonishment, however, that he proposes simply to do away with the partial deindexation of personal exemptions and tax brackets. I find that surprising. With his abilities he should know better; clearly he is playing politics at this point in time with an issue of such gravity. I feel that it will take a long time for the people of Canada to forgive him. It was his administration which put Canadians into a deficit position. I almost hesitate to repeat it, but it deserves repeating. The deficit is in the area of \$35 billion to \$48 billion annually, and we have a cumulative deficit of some \$200 billion. On an annual basis, this works out to overspending by the federal Government to the tune of some \$1,400 per person for every man, woman and child in the country. The simple question to put forward would be: How long can this continue? How long can this sort of wanton or profligate spending continue? It put Canadians at the point of no return, at which point they tossed out the Government which created the situation and put in place the Progressive Conservative Government with a clear mandate to do something about it.

Now we have the spectacle where we attempt in a meaningful way, with the least amount of pain as possible, to deal with the jaws of inflation. When dealing with indexation matters, if we index exemptions we are in fact cutting back on revenue. When we index expenditures, we increase the outlay. At the same time we widen the jaws and the deficit continues to increase. This is something which simply cannot continue.

At this point in time one out of every revenue dollar gathered by the federal Government is going to service the debt, that is, to pay interest on the cumulative national debt. By the mid-1990s, if the rate of growth in the deficit continues unabated, we will be in a position where 100 cents out of every tax revenue dollar generated will have to go to pay interest on the national debt and interest on Government securities, treasury bills, Canada Savings Bonds and so on. That is simply an untenable position. By the mid-1990s there would be no money left for any purpose other than debt servicing. There would be no money left for transfer payments to the provinces, for medical care, to assist with education or to provide defence