

*Income Tax Act*

bill. I should like to see the hon. member for Waterloo go out to Saskatchewan, for instance, or even to Waterloo and explain this to the farmers there.

• (3:30 p.m.)

**Mr. Saltsman:** I will on Friday.

**Mr. Lambert (Edmonton West):** He says he is going on Friday but by that time no one will hear him. I want him to understand that there is a Succession Duty Act in the province of Ontario; there is one in the province of Quebec; there is one in British Columbia and there will be one in each of the provinces of Saskatchewan and Manitoba. I presume there are some in the Atlantic provinces. All that happens under the act as it now exists is that there is an estate tax levied. There was also an assessed tax under the provincial succession or estate tax act. The two were mixed, however, but the end result was that a tax was paid to one or the other. After the tax was paid, as in the province of Quebec which retained its rights under the Dominion-provincial agreements, whatever was paid in respect of succession duties was a credit under the estate tax assessment to the federal government. Therefore, there was an elimination of double taxation to some degree.

The federal government in the present case proposes to remove the estate tax, but that does not eliminate the provincial estate tax. Therefore estate tax or succession duties will still have to be paid in the provinces, except Alberta where I am told the government has decided not to re-impose the estate tax or succession duty. The net result is that everybody has to pay the estate tax and have added a capital gains tax which is, in effect, a tax on deemed realization on death. Perhaps I have not interpreted this correctly, but my understanding is that the capital gains tax will not be considered a credit towards succession duties levied by the provinces, and therefore there will be an additional tax. We are told there are no additional taxes coming out of this package, but that is not so. There is an additional tax and the people of Canada should know about it. This so-called simplification is in many ways like a shell game; now you see it, now you don't. That is what the Minister of Finance tells us about this simplification, that everyone is to be brought under the one hat, but the hat is of a larger size and the Canadian taxpayer is being asked to wear it.

As was pointed out last night, we are being asked also to simplify one tax rate by combining what had been formerly the income tax portion, the old age security portion and the social service portion. This is now all under one heading, but this does not allow the federal government any abatement of income tax toward the provincial income tax, or for any greater allocation of funds. Any province that wants to increase its revenue will have to impose additional income tax. That is already the case in some places and I am not worried about it. In fact, in some provinces there may be a greater sense of responsibility because if they desire to spend more money that will result in the imposition of larger and additional taxes.

How do we calculate what is to be the total rate. Members have only been looking at federal rates of income tax, for instance the bracket of up to \$500. Section 117(1)(a) says the income tax will be \$85, or 17 per cent.

[Mr. Lambert (Edmonton West).]

That is not going to be the case. There must be added the conversion factor under this table, because the provincial conversion factor for the purpose of calculation so far has shown this at 30 per cent. Incidentally, there is going to be an amendment to this table.

In other words, from \$500 to \$1,000 the tax shall be \$85 plus 18 per cent of the difference between \$500 and \$1,000. Then, there shall be added for the individual 30 per cent of the federal rate, which in this instance becomes 5.1 per cent, making a total of 21.1 per cent. This morning the Minister of Finance, in speaking to the provincial finance ministers, had this to say:

We have made our best estimates about revenue yields of the new tax system. But from the beginning we have recognized that some degree of uncertainty as to these yields will exist until we have actual experience under the new system. We have said we will guarantee for three years that provinces receive no less than they would under the existing system, a length of time that we have felt sufficient to permit accurate assessment.

The tax base upon which provincial taxes are calculated is slightly smaller than the existing base. To receive the same amount of revenue, provinces will need to express their new tax on the smaller base at rates slightly above present rates. I want to emphasize again that this would not result in a higher level of provincial taxes . . .

Our original calculations produced a conversion factor of 30.2 over 28, which was rounded down to 30 over 28. We are now prepared to suggest that the conversion factor be adjusted to 30.5—that is, rounded up to the nearest half point instead of down—as a more appropriate expression of the provincial rates required to maintain the same revenue. Our guarantee will therefore be based on provincial tax rates converted by 30.5 over 28.

The minister then added that the period of guarantee would be extended from three years to five years. In a final summation, he said:

To make it perfectly clear, the federal government is prepared to guarantee for five years the revenue yield of the new system as compared with the existing system, provided that provinces establish new rates for 1972 no higher than the rate derived from a conversion factor of 30.5 over 28.

• (3:40 p.m.)

I do not know what the reaction of the provinces was to that, but to hon. members I would say that this results in just a slightly higher total rate of tax to the individual taxpayer. It is actually using the federal rate multiplied, plus the result of the multiplication of the federal rate which is not 30 but 30½ per cent. So, if one were to take the table in the bracket of \$2,000 to \$3,000, which is the table under section 117(1)(d) where the rate is 20 per cent, the total combined federal and provincial tax will be not 26 per cent but 27 per cent at the marginal rate, an increase of 1 per cent in the marginal rate. You see, therefore, how quickly the rates of individual taxpayers have gone up. The Minister of Finance says we will use a factor of 30½ as against 30, and immediately tax rates go up because of an increase in the provincial sector. It would be interesting now to make the conversion, shall we say, in the top bracket of \$60,000 which federally is 47 per cent. The rate before this had been 61.1 per cent with the provinces but will now go up to 61.33½, I suppose 61.34. Strangely enough, percentagewise one will see the difference. I indicated there was a difference of 1 per cent in the total of the taxable bracket of \$2,000 to \$3,000, but over \$60,000 the increase is only one tenth of one per cent.