

*Income Tax Act*

do not want his interruptions. I will try and answer any question he may have at the end of my speech.

Economists generally wander around in a jungle of words in which they cannot find any sound conclusions. One economist told me that the complexities of this bill frustrate him—and of course to the average tax paying Canadian it is an impossible monster. This situation is totally wrong. There is far too much bureaucracy, unintelligible to the average Canadian who can no longer understand his tax forms. They must be interpreted for him, and in many cases he signs a blank cheque. If he cannot afford an accountant, he is in a bad way and may find himself subject to tax penalties.

The government has made much of raising exemptions and taking some 750,000 taxpayers off the rolls. Taken on the basis of when all this started, back in 1948, it is not even justice to these people. To have kept pace in all fairness, the exemptions should have been higher. For example, the 1961 consumer dollar now purchases only 74 cents worth, and the 1948 consumer dollar purchased only 75 cents worth in 1961. So there we have a devaluation of over 50 per cent. This exemption gives little relief which is long overdue and which will be completely wiped out by inflation within a year or two. The lower and middle-income people will be made worse off than before by a ruthless taxing government.

To dwell on some of the problems which have been poorly handled, consider the taxing of sickness premiums paid by the unemployed under the new tax "reform." The government proposes to tax medicare premiums paid by the employer. This will affect three provinces—British Columbia, Alberta and Ontario. In Ontario this will amount to millions of dollars. What are they going to do about this? How do they propose to handle this situation? Will we be in another tax jungle? Apart from this there is another problem, the farm problem. I have here an article written by Mr. Knox in *Farm and Country*. He wrote:

The question now to be asked is whether he gives sufficient recognition to the special nature of farming—and whether he gives fair treatment to farmers compared with other tax paying groups.

The small investor collects in the form of investment income. He is to obtain the relief on the new dividend tax credits.

The wage earner collects his economic rewards in the form of earned income. He is to share the same or a lighter income tax load than before—

Of course, various taxpayers will be facing a variety of new taxes on their earnings, their enterprise, their savings and investments. But the farmer is the one who has to put all these economic eggs in one basket—and the one who will have to meet the capital gains tax head on—

When the figures are fully worked out they show the so-called tax advantage to be mostly sleight of hand—and by the time inflation (and tax on inflation) is taken into account, it is not the capital gain but the farmer that Mr. Benson is sawing in half!

The farmer who makes the same economic gain as the wage earner, but makes it partly in income and partly in increases in the capital value of his farm, can be worse off.

This result comes about for two main reasons. First, because the farmer's "hidden" yearly capital accumulation does not obtain the full benefit of annual personal income tax exemptions. Secondly, because inflation gouges a huge bite out of the farmer's deferred capital gain while it only nibbles at the salary earner's income.

During his lifetime, then, the farmer has to get by on a much lower standard of living than the income-rich non-farmer. And at the end, his heirs inherit an illiquid farm estate and a whopping

lump sum bill to cover capital gains at death tax (and provincial death taxes).

Some people have suggested that by cutting the tax in half, Mr. Benson's revised capital tax system has saved the farmer's neck.

• (9:00 p.m.)

On closer analysis it may turn out to be a new form of "capital punishment" which will tighten a noose around it.

There is another point I would like to bring to your attention, Mr. Speaker: it concerns the credit unions. Usually a credit union is a small organization set up in a small community. Its main purpose is to serve the people in that community. Some people may have a few dollars to spare and they put them in the credit union. Other people who need a little money, borrow it from the credit union at a modest rate of interest. Now the government, through this new tax reform bill, proposes to hit these small organizations which have played a great part in saving the people of small communities from having to deal with the larger financial institutions at higher interest rates. This is a small community, enterprise, non-profit, with little or no expenses. Its sole purpose is to serve the people in the community. They must be left alone.

Looking back and being honest about it, I think most of us could say in all conscience that over the last three years we have witnessed mismanagement and failure by the government with regard to the economy. At the beginning of this year the Minister of Finance proclaimed that the worst of the unemployment situation was over. But from that time on unemployment rates increased, with the latest released just a few days ago showing an increase in August of .2 per cent, at a time when we should have expected the reverse.

**Mr. Dinsdale:** That is King Canute in reverse.

**Mr. Rynard:** Yes; and they cannot blame the American surtax for that result. Food and shelter costs rose 1 per cent in August, which is at an annual rate of 10 per cent. I am afraid we have not reached the worst yet. I am wondering what will happen when countries such as Japan, West Germany and Taiwan from which we import goods revalue their currencies to meet the American surtax. The result will be that we will have to pay more for the goods we import from those countries.

I also wonder about the cost of Canadian manufactured goods, a cost which is going up because of increased labour costs, in turn made necessary by increased taxes, but without any accompanying increase in production. Now we find we have more government interference, such as the new competition act. Taxes have to be increased to meet rising welfare costs and unemployment insurance costs. Indeed, the Minister of Manpower and Immigration (Mr. Lang) conceded the other day at a committee hearing that business was not investing in job-creating industry.

Almost all economists have been crying out over and over again for tax cuts. But the Prime Minister (Mr. Trudeau) has refused to listen. Like Ulysses, he has wax in his ears; he cannot hear the danger sirens. He does not have enough money to meet the ever expanding costs of unemployment and welfare. The Prime Minister has been in office for three years. During that time we have seen mounting unemployment, inflation and bad relations with the United States. Canada's relations with the United