

Income Tax Act

some amendments have recently been introduced to improve it in the area of co-operation.

One of my friends, a manager of a Caisse populaire, got in touch with me recently, and said: "I am happy to find that Bill C-259 has been somewhat improved, and I have no doubt that it is due to the information given to every Member of Parliament by the co-operative movement."

However, during a longer talk he gave me his views on the whole problem. As we all know, ever since the introduction of Bill C-259 in the House, general dissatisfaction has been shown by our friends in the Caisses populaires and co-operatives. The changes announced on October 28 by the minister met their wishes in part.

At the beginning, the co-operatives were apparently not happy because they feared they would have to pay too much taxes. Of course, as an hon. member stated yesterday, nobody is happy when it comes to paying taxes. We all agree that taxes are too high.

But if, because of too heavy taxes the disappearance of co-operatives or Caisses populaires can be anticipated, that is another story. It might be said that not only the Caisses populaires but also their members will be penalized. They feel that is not progress but rather a backward step.

When the amendments were announced some expressed their satisfaction. Improvements have been made. For example, I think of the period of 16 years instead of eight allowed to reach the \$400,000 limit. Thus a lesser amount of money is required from the Caisses populaires than under the initial proposals and more heed is paid to the provincial legislation requiring a certain level of reserves, namely for Caisses populaires.

From what I have been able to conclude from this conversation there is still a certain amount of dissatisfaction and concern. The Caisses populaires are not against paying taxes but they want to keep on going. That is the reason for their concern. They are said to compete with large business and should bear a fair tax burden. I wonder whether this competition is so serious since it is said that the major Caisses populaires, at least in my single region, have assets of \$20 million. On the other hand, as regards the assets of certain banks, we note that those of the Provincial Bank of Canada, for instance, would amount to \$1 billion, which is a lot compared to \$20 million and it seems there is no possible comparison between what could be called the Caisses' income, as it is said that, theoretically, they have no income, and that of the banks.

In a way one may say that the Caisses are not doing big business. The people they do business with are middle class people and also poor people, farmers, people we wish to help by every possible means. Indirectly, we should take care not to inconvenience the farmers or the poor by hampering the growth of the Caisses populaires and co-operatives.

For instance the big companies we need in Canada, like ALCAN and the CPR, do not do business with the Caisses populaires. On the other hand, one must admit that the deposits of the Caisses' members do not go to the banks.

One could also add that trusts are much more important than caisses populaires.

[Mr. LeBlanc (Rimouski).]

I am wondering if the question of competition is not debatable. I would add that in theory caisses populaires should operate on a cost basis to be logical since they are said to be non-profit organizations and I think that from a practical point of view that would be impossible because of the unforeseeable elements involved. The fact remains that banks operate to bring profits to their shareholders, and that is quite normal. I am not against profits.

Finally, I think the federal legislation should fully recognize the requirements of provincial legislation with regard to statutory reserves because it seems to me that those statutory reserves do not belong to the co-ops or the caisses populaires as would be the case for ordinary public corporations but rather to the shareholders who are themselves subject to taxation.

The problems which co-ops and caisses populaires are faced with are very similar. Theoretically, instead of having those tax measures applied immediately, according to what I was told recently by co-op members, they will be applied gradually in the course of a ten-year period. It is like storing the virus they fear for ten years and freeing it after that period of time. Will the evil that is being hidden today not come back in ten years?

Co-ops and caisses populaires are prepared to pay but they fear that the methods used could mean their destruction. They have no objection against paying taxes but just as to the methods used.

To a certain extent, as I said a while ago, the money in the hands of the co-ops belongs to the middle class, to the small people, to the poor and it is being fed back to them. And we want to protect the poor.

I can hardly understand, when comparing the non-profit corporations, that also have a non-taxable capital employed which, I do believe, should not be taxed, to the co-operatives and the caisses populaires, why the latter, being also non-profit organizations, should be taxed. For that matter, they should be treated with great consideration for income tax purposes. We must consider the help they have given to middle class people, and especially to the poor, as well as their contribution to the economic progress of Canada. For that reason, I join with the co-operative members, those who are active in the caisses populaires movement and hon. members who have pleaded their cause, to ask the government to listen carefully to our requests so that the caisses populaires and co-operatives will not be placed before insoluble problems, but allowed to pursue their development, for the good of their members and that of Canada as a whole.

• (12:40 p.m.)

[English]

Mr. Macquarrie: Mr. Chairman, this is my first intervention in this long debate on this bill. I have been reluctant to move into the discussion on this immense bill. I spent a good many years in the study of economics but no one ever assigned me a document so challenging, so confusing, and so overwhelming as this bill. Hence my trepidation in speaking about it. It also struck me that this was the ideal type of legislation for a standing committee rather than for the committee of the whole.

I thought the hon. member for Essex was a bit unworthy when he began his speech by suggesting that