

drastically the income taxes of people in the lower income brackets.

Every study which has been carried out has indicated that Canadians are great savers, they put a substantial percentage of their incomes into insurance policies, bonds, and so on. But that is true only of the people in the upper income bracket, people earning \$15,000 a year and up. These are the people who are already saving, if anyone is saving, and these are the people who will benefit from the proposed tax cuts. These are precisely the people who do not need any more assistance from the government. These are the people who have already done very well as a result of tax policies of this and former governments in the past quarter of a century.

It is my suggestion that the minister should turn away from more tax concessions for those in the upper income bracket. He ought to go a step further than his budget in which he brought forward an income tax reduction of 5 per cent with a minimum tax cut of \$100 for every person who pays income tax. He ought to increase substantially that tax cut, as this would benefit the people who need it most, instead of providing the benefit to those who are already doing very well. This would accomplish what the minister seemed to think necessary when he first proposed this corporate tax cut: his objective was to get the corporations of this country to improve their productive capacity.

Instead of this corporate tax cut, we ought to be discussing a further cut in personal income taxes, particularly for people in the lower brackets. For these reasons it is my intention to vote against this bill. I would urge the minister to give consideration to reversing this proposal and to make tax cuts where they ought to be made, in the income taxes of those in the lower income brackets.

Mr. Nystrom: Mr. Chairman, I should like to say a few words at committee of the whole stage of this bill. As we have already indicated many times, the government should not go ahead with this bill. One of the things that concerns me very greatly when I look at the proposals before us, and one of the things I hope the minister will comment on when he speaks later, is the way corporations may be affected by some of the proposals in the United States, announced by President Nixon, under the runaway plant legislation and other legislation now being discussed in that country. I should also like to hear some reaction from the Conservative Party regarding the Nixon proposals. The manufacturing sector of this country is 58 per cent foreign-owned or controlled and basically United States corporations control it.

As I understand the Nixon proposals, a lot of the extra benefits in the way of profits that might be reaped by corporations could indeed end up in the treasury of the United States. This is something members of this House should take very seriously. If we cut taxes for corporations operating in this country and find that the extra benefits could go to the United States, there is hardly any purpose in cutting taxes here.

The number one proposal that concerns me is Mr. Nixon's legislation dealing with runaway plants. My understanding is that if 25 per cent or more of the products of United States businesses or multinational corporations operating in this country go back to the United States,

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such a company can qualify for runaway plant status in the U.S. Many of us know that numerous American multinational corporations sell 25 per cent or more of their products in the United States. They would qualify under the runaway plant legislation if 25 per cent of the products went to the United States and if they made new investment in this country of 20 per cent or more in terms of expanding their capacity or adding to their plant.

● (1550)

As I understand it, the American legislation will apply if the tax rate in a foreign country—the foreign country in this case being Canada—is less than 80 per cent of the rate in the United States. I suggest that after this tax bill becomes law, our tax rate in effect will be less than 80 per cent of the tax rate in the United States. The current corporate tax rate in that country is 48 per cent, and 80 per cent of that would be 38.4 per cent, which is the threshold rate. But if you look at the effective rate you find it is lower than that if the manufacturing companies take advantage of the fast write-offs, the 50 per cent write-offs for a two-year period. If you add all this together you find that many of the manufacturing companies in this country can indeed come under the scope or umbrella of the runaway plant legislation proposed by President Nixon, and would then be taxed in the United States to make up for the taxation that is lost in this country. If that is the case—I think the minister should try to clarify this when he takes part in the debate—then this bill is a farce and a scandalous piece of legislation. Indeed, for that reason alone it should not become law in this country.

I understand, also, that another possibility under the American taxation legislation proposed is that if a company operating in a foreign country is able to take advantage of what they believe to be too many tax loopholes or tax holidays, that company may indeed have to pay at the American rate of tax as if it were operating in the United States. Of course, at present they are taxed only on the profits that are remitted to the parent company in the U.S. But if the proposals of the President go through, as I understand them, and if the tax loopholes are judged to be too generous, the company may have to pay taxes in the United States according to the going rate in that country.

I think this is a very important consideration in our study of the bill before us, and it is something upon which all members should reflect. I think that the Minister of Finance owes it to us and to the country to make a statement regarding the proposed tax changes in the United States and how they will affect corporate activities in this country, and indeed corporate taxation of U.S. companies operating in Canada.

I know that some members of the Conservative Party are concerned about this legislation and have expressed doubts and scepticism about it, but I would like to see them rationalize their support of this bill based upon the proposals of the United States. Many of us may think that perhaps Mr. Shultz or Mr. Nixon will not go ahead with these proposals and that maybe they will take Canada into account. We have often held that glimmer of hope about the United States, but in fact quite often they do not consider us in their total scheme of things. A recent example in the embargo which they imposed upon soybeans, which greatly affects farmers in many parts of the