cent of this tax when collected. Ontario, Quebec and British Columbia have their own succession duties. The removal of this source of revenue from the provinces will be detrimental. This bill will cost those provinces of Canada which had an arrangement with the federal government $60.4 million.

• (5:20 p.m.)

Take a look at this red book, the explanation book. It is like the funny papers. I like the cover of that book. I said that in the debate on the white paper. It leads one to think they are helping our millions of taxpayers, countless numbers, at least. I see hon. members opposite applauding. But what really happens? As soon as you erode the provincial treasuries, provinces are obliged to raise taxes from any other source available to them. In most cases the source chosen involves a sales tax.

We in Alberta are the only province where there is no sales tax in force. What will happen when we lose our share of the $60 million? Eventually we shall have to find money from another source, a sales tax or some other tax. That tax will fall on the same people the government pretends to be concerned about, those whom the bill before us would relieve from taxation. All this document does is shift the burden from the federal government to the provincial governments. This document is starving the provinces. That is the first point I wish to make.

Mr. Gibson: Speak up.

Mr. Woolliams: Oh, that's all right. I can always rely on the choir on the backbenches opposite. They have only scratched the surface on this bill, yet they say, "Great. Ram it through. We are all part of this great Liberal machine."

Mr. Guay (St. Boniface): This is the first time you are concerned. They have a Conservative government in Alberta.

Mr. Woolliams: I will let them speak for themselves. The Ontario treasurer took the view that the federal administration had been too hasty. It was argued that the estate and gift taxes should be phased out as the capital gains tax was phased in. I should have thought the government would have come before the House today and declared, "We have made a deal with the provinces. We made a deal before we rammed this legislation through."

In summary, I say this new tax legislation is merely shifting the burden for collecting taxes from the federal government to provincial governments. Increased taxation will fall on those for whom the government professes a special concern, those in the low income brackets. Moreover, of course, any benefit of the small concession connected with personal income tax has already been cancelled out by inflation, something which has partly, at least, been brought about by the government itself.

I wish to deal now with the provisions of this bill as they affect small business. Take this same red book. This is what it says at page 35. It reads very well:

> A reformed low rate of corporate tax is retained as a small business incentive; the rate is 25 per cent on the first $50,000 of business income of Canadian-controlled private corporations.

What the tax bill promises to do is to increase the taxable income allowance from $35,000 to $50,000 and increase the rate of taxation from 21 per cent to 25 per cent. But they raised the gross net income. That sounds good on the face of it, but see what really happens.

Mr. Guay (St. Boniface): What on earth is "gross net income"?

Mr. Woolliams: This is what happens. The maximum amount for which a deduction can be made in any one year is $50,000. This $50,000 is the corporation's business limit. In addition, there is a cumulative limit which, in the simplest situation, amounts to $400,000 of taxable income earned after 1971. In other words, to make it simple, if a corporation shows a taxable profit of $50,000 for eight years it would then have enjoyed the benefit in its growth of a 25 per cent rate on the first $50,000, but the moment it hits a total gross of $400,000 in those eight years, on goes the tax the same as on large corporations.

What do I say about that? This provision is supposed to help small business. Many farmers and ranchers are incorporated. What happens? As soon as a group of people get together in a private corporation, form a company and produce a gross capital of $400,000, then on comes the 50 per cent tax or that rate which applies to foreign corporations and the public corporations of Canada. But this will not be found in the red book. Oh no, because they are trying to sell the candy. There are two things you can pick out when you are debating the economic situation.

I say, therefore, the provinces will be starved of their revenue and small business will be discouraged from expanding because the moment a company expands, builds up a business to assist the Canadian economy on the basis of Canadian investment, along comes the high corporate tax. There is a dishonesty you find at the outset.

Mr. Chairman, the tax policy of any government is the policy through which you effect the kind of taxes and the rate of taxes which are necessary, and whether you have capital gains tax and how it applies to the incomes and various branches is one means by which this or any other government controls the economy.

I would say we have seen a deterioration in the relations between Canada and the United States. I want to say something about that because this debate will be lengthy, on a complex situation. I question whether even members of this House comprehend what effect this bill will have on the economy of Canada, yet it is being brought in at a time when we not only have trouble with the United States on the question of the surtax but also on account of the dollar which was floating so that it was more than equal to the United States dollar. The argument and the debate which has gone on over the years about taxation has had a tremendous effect on the economy of this country, a depressing effect. In fact, I asked Bryce and another adviser at the committee which was studying the white paper, and they said there were many deals which would have helped Canadians and given jobs to Canadians which have not crystallized because of the fear of what was in the white paper. This was the fear hanging over the heads of Canadians. If there is any question about that—and I said this to the hon. member for Calgary South—I shall read it into the record next time I speak, because we