

Taxation Reform

article, over the next years there will have to be a considerable economic adjustment. There is a reference to the number of farmers being reduced from 450,000 to 150,000. Even if a quarter of that number of farmers were to stop farming it would be disastrous.

● (3:40 p.m.)

Mr. Speaker: Order, please. I regret to advise the hon. member but the time allotted to him has expired.

Mr. Hyl Chappell (Peel South): Mr. Speaker, in my opinion many of the white paper proposals for tax reform are excellent—there is no mistake about that—but they can be improved upon. Certainly capital gain, if a true capital gain, should be treated as income. No one questions the fact that the cost of child care and unemployment insurance payments should be deductible. But while the approach appears sound from a taxation review standpoint, it is really a document for social change which appears to have been drawn up by economists without consultation with social scientists. Has there been sufficient consideration of the long term effect on society when the approach, although a rational one, is substantially directed to the transfer of taxation burden from one group to another, which is already heavily burdened.

I should like to refer to some statistics. All governments in Canada hope to raise, and will spend this year, approximately \$27.6 billion, of which \$7.8 billion will come from income taxes. The Dominion Bureau of Statistics reported that in 1967, the two and a half million wage earners, earning between \$5,000 and \$10,000 earned 46 per cent of the income and paid 44 per cent of all income taxes; that a much smaller group of less than 500,000 or 7.5 per cent of the total had incomes of over \$10,000 and paid 35 per cent of the total income taxes—the taxes in the upper income levels being as high as 80 per cent. The proposal is to obtain even more from this group as capital gains are brought into income. Under the proposed reform, taxes would remain the same for about 820,000, be eliminated for 750,000, reduced for 3,100,000, and increased for about three million.

The basic philosophy of the paper in respect of personal income tax is found in paragraphs 1.6, 1.9, and 1.19.

Paragraph 1.6 reads as follows:

A number of goals and standards have guided the government in its approach to reform. They include a fair distribution of the tax burden based upon ability to pay; steady economic growth and continuing prosperity;—

Paragraph 1.19 reads:

More than any other tax the personal income tax can be carefully adjusted to the income of the individual and the circumstances which affect his ability to pay—

Paragraph 1.9 reads:

There is no single or simple rule for increasing the tax rates up the income ladder that can be said to be the "right way". It is a matter of opinion, of judgment.

The criteria seem to be the ability to pay and the recognition of modern social needs, but tied to steady economic growth with continuing prosperity.

Exemptions from taxation for 750,000 and reduced taxes for 3,100,000 is an admirable and I believe a realistic goal. I am sure every member of the House wishes we could afford to exempt or lower taxation for even more, but desirable as this is and recognizing that it must come, can we afford to accomplish it at the expense of an increase on the middle group? I agree with the principle. I question the timing. When do we load the bus to the extent that it cannot reach its destination?

This summer I took a trip through communist socialistic countries. In Bulgaria in particular it was apparent that they had taken over all accumulated wealth. Then, they divided up the pie and had a banquet, but no one was left with capital or incentive to provide dough for another pie. Obviously, they killed the goose that produced the eggs. Now, they are in real trouble, begging for tourist dollars, but they do not have people with capital or the profit incentive to create the desired tourist industry.

The middle group and the upper 7.5 per cent now pay a very large share to provide old age security for their own parents and all of the other parents as well as for family allowances and other social benefits for themselves and all the others. In addition, they pay taxes to relieve regional disparity in less fortunate parts of the country.

Humane and desirable as it may be to reduce taxes and to increase modern social services, is it right to further increase the load on this middle group? Is it their responsibility to accept this added load now, or is there another way? Can we not say: here is our objective, here are our priorities? As we become more efficient and learn to save, as our national income increases, we will do these things in this order. Our gross national product, and thus our tax base, is bound to increase substantially. The labour