

*Income Tax*

wish to destroy private enterprise? Is it their wish not to give any encouragement to private entrepreneurs but simply to build colossal Crown corporations? I do not stand for that. It is time we help the small-businessman in this country to survive and create the employment that is so desperately required.

One further point is scientific research and development, which is so important in this day. Look at what the Japanese have done with the tremendous resources they have applied to it. The Government even cut into scientific research and development so that you cannot deduct on an accumulated capital basis.

**The Acting Speaker (Mr. Corbin):** Order. I regret to interrupt the Hon. Member but the time allotted to him has now expired.

**Mr. Dan McKenzie (Winnipeg-Assiniboine):** Mr. Speaker, Bill C-139 which we have before us now is the result of three budgets that have all been a disgrace to this nation and have failed miserably when in actual fact the Government introduced them in an effort to make the economy of Canada work. In my view, the Bill we are now dealing with assists only in preventing the economy of the country from working and, therefore, should be significantly amended or withdrawn.

On June 28, 1982, the then Minister of Finance announced that the mortality gain of corporate-owned life insurance will no longer be a qualified receipt of a corporation's capital dividend account and thus life insurance proceeds will be indirectly subject to a death tax of approximately 34 per cent. Many qualified individuals have begun to speak out against this latest attack on Canadian-controlled, privately-owned corporations because it violates the concept of integration of corporate and individual taxation.

If this proposal becomes law, the death benefit proceeds of a corporate-owned policy paid out to shareholders will become taxable in the hands of the shareholders. By not allowing the death benefit to be paid out tax-free to shareholders through the capital dividend account of a private corporation, the use of corporate-owned insurance for the buy-out of shares in the event of the death of a shareholder is effectively nullified.

In asking Canadians to pay tax on income that they have not yet received, the Government is once again creating a major disincentive to investment. The lifeblood of our economy will be undermined by taxing businesses and individuals to the point that Canadians will no longer be able to provide for themselves for retirement and will become totally dependent on Government support.

The free enterprise system and the higher standard of living it provides for everyone depends on the existence of incentives for people to work harder, more efficiently and more creatively. In asking Canadians to pay tax on the accrued income of whole life insurance policies, the Government is attacking the most important conveyance of investment of which many Canadians avail themselves. Despite changes since the original proposal of June, 1982, disincentives still remain for the purchase of certain types of policies, such as the exempt life

policies which would be taxed if converted to annuities before the termination of the 20-year term.

Through the taxation of deferred annuities, the Government intends to deprive every taxpayer of the only safe and economically sound way of combating inflation with whatever money he or she manages to save on an after-tax basis. By introducing a similar tax on permanent life insurance, the Government intends to swell the ranks of widows who are totally dependent on welfare.

The vast majority of Canadians find it increasingly difficult to combat the ravages of inflation in trying to meet their retirement income objectives. Extraordinary efforts and sacrifices are required to make the necessary savings. Instead of discouraging these savings by tightening the tax noose around the basic retirement vehicles available, the Government should expand retirement savings opportunities by increasing RRSP and pension contribution limits and by allowing investment of tax-paid dollars in interest-sheltered deferred annuities.

The hardest hit will be low and middle-income Canadians who will gain little or nothing from the lowering of marginal tax rates and will lose proportionately more from partial deindexation. The increased taxation of employee benefits will hit hardest at those in the lower and middle-income brackets. It will encourage employees to seek higher wage settlements at a time when moderation is required.

Limitations on retiring allowances, on termination benefits and on the \$1,000 pension income deduction will make it harder for Canadians to prepare for their retirement years. The taxation of accrued income on some whole life insurance policies will affect what is for many Canadians a major source of retirement savings. The non-deductibility of interest on money borrowed to purchase an RRSP will discourage personal investment.

The abolition of IAACs will hurt many small-businessmen and farmers who wish to set aside money for their retirement years, years in which their income will be considerably less. General averaging, which involved no judgment call on the part of the taxpayer as to his future income, has been abolished. In its place, this Bill will introduce a complicated measure called forward averaging. To benefit from forward averaging, the taxpayer must decide on the basis of tomorrow's "guesstimated" income whether or not he should opt for forward averaging.

In the disastrous budget brought down by the former Minister of Finance in November, 1981, dividend credit on stocks was reduced to 22 $\frac{2}{3}$  per cent, replacing the 25 per cent that was originally promised by the Liberal Government. This action is very serious as far as industry is concerned. No doubt with the Government action people will leave their money in the banks. Why risk their capital and take reduced dividends? No, leave the money in the banks where it is advantageous to the investor due to Government action.

Why are you, the Liberal Government, discouraging investments in industry with your dividend reduction? We need industrial expansion, not the stagnation that is being