

*Income Tax Act*

The news release concludes by stating that the Minister of Finance asked for, and received, additional documentation on the co-operatives' position. It reads further:

He agreed to review the situation but pointed out that changes in proposed legislation after first reading may only be introduced by the government at the second reading.

In the same vein, I should like to read to the House part of a letter I received from the leading co-operative association of this province, the United Co-operatives of Ontario. The letter is from its secretary, Mr. R. J. Wright, dated August 24, 1971, and reads in part as follows:

We are at a critical point on the future of co-operatives. It is not that the many thousand people interested in co-operatives are asking the government of Canada to help co-operatives. The request is that co-operatives not be hindered in Canada in ways that they are not impeded in other countries.

United Co-operatives of Ontario feels that section 135 of the Income Tax Act amendments as proposed in Bill C-259 is discriminatory against co-operatives and would be harmful in a manner not used against co-operatives in any other country. Everywhere in the world it has been recognized that co-operatives, owned and controlled by their members, should be able to pay or allocate to patrons any savings or final payments at the end of the year. The proposals in the new tax legislation would have the effect of limiting, and in many cases, prohibiting such refunds by application of an increasing rate of discriminatory capital employed tax.

For years members of co-operatives have instructed their organization to allocate patronage returns into a revolving capital plan as a major part of member financing. Provision is made in these plans for early redemption of such member investment before maturity date in case of special circumstances such as settling of estates or old age. The proposed escalation of the tax rate on capital employed will inhibit the accumulation of sufficient funds to meet this capital redemption obligation. If this occurs, the operations of co-operatives will be greatly weakened and in many cases they will be forced out of business.

UCO was part of a co-operative delegation which met Mr. Benson on August 11 and proposed an alternative method of taxing co-operatives which would not jeopardize their continued existence.

I am sure that what I have said, coupled with what hon. members on all sides of this House have said on this important subject, is sufficient to convince all hon. members that the provisions dealing with the taxation of co-operatives and credit unions must be carefully reviewed and revised. I am hopeful that the government, after the consideration of these briefs which the Minister of Finance promised the delegation, will appreciate the necessity and the wisdom of making major changes in these clauses. I believe it would be unthinkable for Parliament to accept amendments which would have the effect of destroying important social organizations in this country.

• (4:40 p.m.)

I could say a great deal—as other hon. members could, and some of them have—about what the co-operative movement has done in Canada. But we must realize that by and large the co-operative movement in our country remains a service for the agriculture and fishing industries. It is a mainstay in many agricultural and fishing communities. It is an important part of the fabric of the lives of Canadian farmers and fishermen. They have enough problems without our contemplating in any way measures which would have the effect of disturbing one

[Mr. Blair.]

of their financial and commercial mainstays, the co-operative movement.

The credit unions operate in a wider area, not only in the country and in the rural areas, not only among farmers and fishermen but to a much greater extent than co-operatives in the urban areas of Canada. There is hardly a major factory in this country, hardly a major commercial establishment which does not have a credit union—and who here would not say that credit unions have done nothing but good for their members over the many years they have been in existence? Therefore, I say that all of us should take very seriously the representations which have been made to the government and to members of this House about the effect of this tax legislation on co-operatives and credit unions. I hope that, using our influence collectively, we will be able to achieve a result which will enable these organizations to carry on the service to Canadians which they have performed over many years.

**Hon. W. G. Dinsdale (Brandon-Souris):** Mr. Speaker, I would like to speak to the amendment that is before the House, put forward by the official opposition. So that hon. members of the House will be fully conversant with the amendment, and particularly in light of the remarks made by the hon. member for Grenville-Carleton (Mr. Blair), that it has been put forward irresponsibly and for the purpose of creating mischief rather than having any sincere function in this debate, I would like to reiterate what the opposition is attempting to do. We are stating that—

—this House deeply concerned with unacceptable levels of inflation, persisting unemployment and stagnant industry and conscious of the necessity for meaningful tax reform declines to give second reading to a bill which does not provide sufficient stimulus to the economy of Canada with appropriate tax cuts and incentives, does not contain adequate tax exemptions and is not calculated to materially improve business and labour conditions in Canada now or in the foreseeable future.

I submit that this amendment is very carefully devised to put a stop to the camouflage ritual through which the government is proceeding to deal with the important matter of fundamental tax reform. The whole exercise of carrying out a comprehensive reform of Canada's income tax system, both personal and corporate, began some nine years ago. At that time it was anticipated that there would be a serious attempt on the part of the government to carry out just that purpose, that is, a major tax reform.

The whole gestation period has been a long, tortuous and devious one. The royal commission did not report until 1965 even though it was set up in 1961. The response of the government of the day to the challenge of the report of the royal commission, popularly known as the Carter commission, was to produce a white paper which had such startling innovations that it has caused untold damage to the Canadian economy in the intervening years.

The hon. member for Grenville-Carleton accused the opposition of being frivolous and irresponsible in putting forward this amendment. I see that the Minister of Energy, Mines and Resources (Mr. Greene) obviously concurs in the hon. member's suggestion in this regard. I would suggest to both those hon. gentlemen and to the government as a whole that the effect of the white paper as it pursued its long, tortuous course has caused greater