

Income Tax

The employee earning \$5,000 may have to take a bus or the subway or drive his car to work every day, which can be very expensive. In that case it is inequitable because both employees get the same deduction. The response of the government to this argument is that if we were to have all the flexibility required to have an equitable system, you would achieve your credit. I can understand the argument they are putting up. I should like to suggest to the government—I see there are no ministers in the House—

● (1522)

Mr. Drury: There are.

Mr. Nystrom: The Solicitor General is here, but he is at the back. There is another, but he is dancing around, so he is hard to see. Anyway, I am sure they do not know much about finance so I will direct my questions to the parliamentary secretary, who is much more knowledgeable. Why does not the government consider, for example, if administering a really fair system is likely to be too costly, starting with a \$250 floor? I think that would cover most of the workers in the first place; their expenses would be less than \$250. But there are many people whose expenses are higher than that and who are treated very unfairly by this law. I suspect this concerns a small minority of workers.

Why cannot everyone have the benefit of a \$250 law and, after that, if it can be proved to the taxation people that expenses are higher, why cannot the whole amount be claimed as a legitimate expense? I think it is fair on another ground. People engaged in business in this country are allowed to deduct their legitimate business expenses. Why should there be one rule for those who are in business and another for those who are not in business? The only reason I have been given so far is the bureaucratic complexity involved in rectifying the situation. I have made my suggestion, now, to the parliamentary secretary.

While I am on my feet, I want to take advantage of the occasion of this discussion on clause 4 to call attention to something which I do not think many people realize. That is, since tax reform in Canada in 1971, the inequities in the taxation system have not decreased; they have become greater. One way of closing the gap is to take a clause like the one before us and change it so that workers and low income people are treated a little better. I want to put a few statistics on record to prove the point I am making. The figures I have in mind relate to income prior to taxes. They are taken from the thirteenth annual review of the Economic Council and show the distribution of income. The population is divided into five groups and 20 per cent of the population is in each group. In 1965, before taxes, the worst off 20 per cent of the population was receiving 4.44 per cent of the national income. In 1974, nine years later, they were getting only 4.02 per cent of the national income. So the lowest 20 per cent saw their incomes, as a percentage of national income, drop during that period.

Now I move to the other extreme, to the group which was best off. In 1965 they received 41.35 per cent of the national income. By 1974, the figure was 42.52 per cent. In other

[Mr. Nystrom.]

words, their share of the national income was increasing. That is before taxes. One might say the purpose of a taxation system, among other things such as collecting revenue for all our programs, is to redistribute wealth. People should pay for programs on the basis of their ability to do so. I knew that this was not the case prior to tax reform. The system was not effective in redistributing income or, at least, not as significant as we in this party think it should be in that regard. But I worked on the assumption that since tax reform in 1974 some of the loopholes had been blocked and that we had a fair taxation system.

Once again I wish to put on record some tables from the source I have just used, showing that the gap is widening. I turn to the redistribution impact of income tax in 1971 and 1974. The population is again divided into five groups. The percentage change in share resulting from income taxes in 1971 before the impact of tax reform was this: when taxes were taken into account in calculating income the lowest group, which received only 3.65 per cent of the national income, saw its share of the national income go up by 0.6 per cent. By 1974, after tax reform had been in effect for a while, their share of the percentage of the national income increased by the same figure—0.6 per cent. In other words, the percentage increase, after tax reform, was zero. So the tax bill which was brought before the House had no impact at all on lower income people in terms of giving them a greater share of the national income. I think that is very sad indeed.

Take the second group. Before tax reform, in 1971, the taxation system had raised their share of the national income from 10.6 per cent by an additional 0.9 per cent. In other words, after taxes were considered, their incomes rose by almost 1 per cent. After the tax reform changes in 1974, their percentage of the national income, following taxes, went up by 0.9 per cent, which means they were worse off after tax reform than they were before. The net change was a drop of 0.1 per cent; their income declined by one-tenth of 1 per cent.

I will analyse very quickly the third, fourth and fifth groups to see what happened. In 1971, the third group saw its share of the national income go up by 0.6 per cent. In 1974 it did not go up by as much; it went up by 0.5 per cent, a net drop of one-tenth of 1 per cent. The fourth highest group includes people receiving significantly higher incomes. In 1971 their income went up by 0.1 per cent and by 1974, after tax reform, their increase was zero. The change amounted to 0.1 per cent.

I see this as satisfactory, because after tax reform those who are at the higher end of the system should be getting less money. When one comes to the highest group, though, containing those who receive more than 40 per cent of the national income, they received 42.9 per cent of the national income in 1971, after taxes had been paid, and in 1974 their income declined by 2.7 per cent. After tax reform, however, their income dropped by only 1.9 per cent, so tax reform gave them an additional three-tenths of 1 per cent of the national income. I do not think that is right. I think the taxation system should help to redistribute income. The point I am making to the parliamentary secretary, in the absence of the minister, is that