

Income Tax Act

the condition of the economy, I think we have to agree that they are objectionable on the ground that they may well be inflationary in themselves, adding to the cost of goods and adding to the pressure to increase incomes. In the second place I believe they must be regarded as objectionable in relation to the existing state of our affairs because they are bound to slow down an economy which, as I have already indicated, is growing at too slow a rate, and already involves a degree of unemployment which bears very heavily on particular areas.

• (9:10 p.m.)

I point out that the Economic Council of Canada has stated that it is necessary for our economy to expand at the rate of something better than 5 per cent per annum if we are to achieve and maintain a reasonable rate of employment and that actually the rate of growth is perhaps a little less than half that. So, clearly, these measures have undesirable effects in this regard. We must ask ourselves therefore whether these two measures, which clearly have undesirable effects that can be anticipated so far as our economy is concerned, are really necessary to restore confidence. I must say to the committee, Mr. Chairman, that I am not yet convinced they are. It is proposed to raise some \$150 million by means of these measures. As I understand the situation, the government is by law bound to commence repaying the refundable corporation tax which was collected a couple of years ago not later than 36 months from the time the payment was made. As I understand it, this means that the government would have to commence these repayments not later than or earlier than May of 1969.

I have the impression that the minister had in mind beginning the making of these payments considerably earlier at a rate which would involve payments of some \$105 million in the next fiscal year. I realize he has explained to the house that this does not come into his current budget, but it could affect the cash position of the government which is one of the matters of principle concerned during the coming year. It would appear to me, therefore, that within the law it would be quite proper for the government to defer any repayment of the refundable portion of this tax to which I referred until May of 1969, and that therefore it would not affect the figures at all for the next fiscal year. If this were done the difference between deferring these repayments until beyond the

[Mr. Stanfield.]

next fiscal year on the one hand and collecting these new taxes on the other hand would amount to about \$50 million or perhaps a little less.

I think I must suggest that in a budget in the amount of \$10 billion it should be possible to find that \$50 million. I really think that would be the view of the people of Canada generally and I must say that that is my view. After all, the government apparently was able to find an amount at least equal to this in order to proceed with the medicare program, despite the views of a number of provinces. In the circumstances it is a little difficult to be convinced that it is really necessary that these new taxes be imposed at this time for this purpose.

Some hon. Members: Hear, hear.

Mr. Stanfield: With regard to the proposition that these taxes would be applicable for two years, I really do not believe the minister has shown any justification for this. I have suggested that he really has not shown any effective justification for even one year, but certainly so far as I have been able to ascertain there is no justification for these additional taxes for a two year period. I hope I am not doing the minister an injustice when I say this, but this is the impression I have. In view of what I believe to be the obvious unfortunate effects of these particular tax increases so far as the condition of the economy is concerned, I do not think we have been shown any benefits that would offset the unfortunate effects. I think the same reasons that militated against the 5 per cent surcharge apply equally to these 3 per cent surcharges.

I have attempted to demonstrate that the government has an alternative to imposing these two surcharges which it states will raise \$150 million. I suggest in all sincerity that the government has an alternative to its course of action which involves additional taxation to the Canadian people, which alternative I believe would be helpful to the Canadian people in its present situation. The Minister of Finance proposes to raise a considerably larger sum of money in the next fiscal year by insisting that the corporations speed up their rate of tax payments. As I understand it this would not increase the liabilities of a corporation, and therefore I do not consider this to be a measure that would contribute to inflation. In the government's position of apparently needing to increase confidence I do not