Income Tax Act

Mr. McIlraith: I move:

That Bill C-191 be further amended by striking out line 21 on page 44 and substituting the following:

"re-assessments of tax, interest or penalties shall"

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment agreed to.

Mr. Burton: Does the minister consider that this amendment changes the long term revenue yield to the government with regard to the scope of this clause?

Mr. Benson: Mr. Chairman, would the hon. member indicate to which clause he is referring?

Mr. Burton: Clause 25, which I believe is the one we are on.

Mr. Benson: This is really to clarify what happens after recent court decisions. It does not produce additional revenue but does make sure that we get the revenue to which we are entitled over a period. In effect it allows the capitalization of interest during construction rather than writing it off as an expense during that time. Then it is written off as the property is written off over a period of time. It does not involve additional revenue.

Clause as amended agreed to.

Clause 26 agreed to.

On Clause 27—*Social development tax.*

The Deputy Chairman: Shall clause 27 carry?

Mr. Knowles (Winnipeg North Centre): The answer to your question, Mr. Chairman, is no. We do not think clause 27 should carry. This is the clause which would bring into effect the social development tax which the minister announced last October and which he has been collecting since January 1 of this year. Last night the minister brought down a new budget. There were things in it which will be talked about when we get around to them. There were some things that we had hoped would be in it which were not there. One of the disappointments to me was that the minister seemed to forget he had given assurance that all representations made to him regarding taxation matters would be considered. We had hoped, and I think the hon. member for Notre-Dame-de-Grâce, the hon. member who is the minister's Parliamentary Secretary, and a few others on the government side of the house, also hoped something would be done about the position that old pensioners are in, particularly those who receive the guaranteed income supplement.

These people are required by the terms of the Income Tax Act to pay income tax if they are between 65 and 70 years of age on the portion of their guaranteed income supplement that puts them in a bracket over $1,100. They must pay the basic rate of income tax that is provided for the first $1,000 of taxable income which I believe is 11 per cent. They must on top of that pay 4 per cent for the old age security fund and now, if clause 27 of this bill passes, will have to pay another 2 per cent tax on that amount of money. We think this is grossly unfair and adds insult to injury. I see the minister looking around him. He wonders where his troops are in case a vote is called. We are getting the rest of our members in too. Yes, there will be a vote on this clause so we might as well ring all the buzzers and get the members in.

The night before last the minister tried to tell us that this is a reasonable kind of tax, that it is a premium and so on, and we are wrong in calling it regressive. We think, however, that it is a most unfair tax in all respects. In particular, it is one which has a great effect on the position of the old age pensioners who are required to pay it. We think this is most unfair and believe the general philosophy of this kind of tax that has a cut-off is completely wrong. The situation in respect of this tax is that you pay it only on your taxable income up to $6,000 but above that point you do not pay one cent of tax into this social development fund or whatever it might be called. We think it is just as wrong as the corresponding 4 per cent tax on the first $6,000 of taxable income for old age security. We think that the principle of graduating taxes as incomes go upward is a good one and should be followed all the way through.

We would still urge the Minister of Finance to reconsider this. He likes to pose as a modern person doing some modern thinking. I suggest that pose is completely shattered by this very regressive kind of tax which is 2 per cent on the taxable income only up to $6,000 with the result that the poor, the people in the low and middle income brackets, must pay it up to an amount of $120 but the $18,000 and $50,000 man as well as the millionaire pays only the same amount of $120 a year. We think it is completely wrong and