

*Income Tax*

and "riding the rods". This group of older Canadians is also the group that was called upon to carry their load during the period 1939-1945 war and facing all the rigors that war involves.

This group is one of the major victims of the Government's economic policies. They have suffered through a recession which has been made worse by a Government that is incompetent and shortsighted. They are being penalized for attempting to provide for themselves and for trusting the Government. The irony is that at the same time as the Government reduces the indexing on pensions, it is forcing more Canadians to become even more reliant on income from state resources after retirement.

In conclusion, I should like to touch briefly on the other very dangerous principle which underlies the Government's economic policies, that is, to tax money before it is received by the taxpayer. In his statement today, the Minister of Finance neglected to point out that that is still an underlying theme. The November budget established a very dangerous principle when it dwelt on the concept of tax expenditures and argued that the Government is forgoing a great deal of revenue by not imposing taxes on certain kinds of hidden income or imputed income.

The Government argued that many taxpayers were receiving benefits on which they were not paying tax, and it set out to capture some of this revenue. In the November budget, for example, it proposed to tax Canadians who sold property and then took back mortgages. Where in the past the taxpayer paid taxes as he received income, the Government proposed to force him to pay tax on the sale as if he or she received a lump sum from the purchaser rather than in instalments on a regular basis.

If we had not forced the Government to alter this provision, most small land developers would have been put out of business and with them the jobs they create would have disappeared. The Government has applied the same principle to the taxation of life insurance and annuities. Fortunately we have been successful in persuading the Government to modify the provision, but the principle remains and is embodied in this income tax legislation. Accrued income on some kinds of life insurance will now be taxable, thus affecting those Canadians for whom these policies are a major form of retirement income. Similarly, accrued interest on annuities is now taxable. Income from annuities is calculated every three years and tax must be paid on that amount even though the taxpayer does not receive a direct benefit from the annuity at that time. With the Government operating on this deemed-income principle, who knows what may become taxable in the future?

The income tax legislation before us requires careful scrutiny. It is extremely complicated. As the Minister of Finance said today in the House, income tax legislation is forbiddingly complex. This Bill is nearly 300 pages long. It has been pointed out that it is the most complex document we have seen since the Carter Commission on Taxation, a Commission which produced seven volumes of work, which met and held public hearings for months to discuss similar types of measures.

We in the Conservative Party have acted very responsibly in the past year in our efforts to gather information about the impacts of this income tax legislation, in our task force on the budget which travelled the country, in the volume of correspondence from constituents across the country with which we dealt, and in trying to seek, through committees, constructive solutions to some of the changes.

We are not about to be rushed now into forcing this legislation through the House. We are not here to stonewall the legislation, but we are here to ensure a sense of security about the measures contained in the legislation. It was this Government that created the tremendous uncertainty about our income tax legislation; trying to rush the legislation through will simply compound the problem. There are examples, for instance, in terms of work in progress. For many firms such as engineering and economic consulting firms, this measure will impose undue economic hardship.

I should like Government Members to consider the case of Dome Petroleum which hired all its consultants. The industry says that in the worst days of its financial difficulties it simply did not pay them. Is the Government proposing that those people bear the entire brunt of this kind of legislation?

We in the Conservative Party are anxious to proceed in a responsible manner with what we hope is the final instalment of this long budget process. We do not want to be identifying and debating once again unworkable aspects of the Bill long into the future. Stability is the key which we are seeking, and stability requires that we ensure that when this legislation is approved, it is the best we can make it.

**Some Hon. Members:** Hear, hear!

**Hon. Sinclair Stevens (York-Peel):** Mr. Speaker, in commencing my remarks today I cannot help but mention how odd it was to hear the Minister of Finance (Mr. Lalonde) earlier this afternoon rise in the House and talk about removing uncertainty and getting on with telling the people of Canada exactly where they stand with respect to income tax, and then to take a look at the Bill before us.

It is fair to say that the provisions in the Bill touching on small businesses, which are mainly involved with amendments to Section 125 of the existing Income Tax Act, are nothing but a morass. They are a morass through which most small-businessmen would virtually find themselves incapable of finding their way. I say this because the Minister of Finance in his press release, when the legislation was first put before us, stated that he had received calls from the "business community to end the uncertainty over our tax laws." He suggested that it was now time to "let affected taxpayers know precisely where they stand."

In this context it might be helpful to read into the record one short passage in the Bill which deals with small-businessmen and then ask ourselves honestly whether it is fair for a Minister to say that he is clearing the uncertainties and that he is allowing affected taxpayers to know precisely where they stand. I refer to page 189 wherein the following is indicated: