

Income Tax Act, 1986

have to spend less in those areas that give them comfortable lives and represent small luxuries of life which add to the comfort of their homes and so on. There will be less spending in home furnishing and electronic shops in my community and throughout the country. Those businesses will feel the impact of that reduction.

During the 1950s the tax balance between corporations and individuals was very close. We have seen a gradual shift, begun by the Liberals in years past, to the point where the said reality in 1986 is that the amount that will come from corporations is about 23 per cent of federal Government revenues and the amount that will be raised from individuals is over 77 per cent. The amount of Government revenue coming from individuals is more than three times as much and moving toward four times as much.

That is not a prescription for prosperity. It may fit into someone's plan for improvement in the long run, but we are all dead in the long run, as John Maynard Keynes once said. In the short run we try to leave decent lives. In the short run, the Conservatives have betrayed the hopes of Canadians. They are impoverishing Canadians by taking money out of the pockets of low and middle income Canadians.

I support the amendment before us and call upon Government Members to stand true to their beliefs that they state in their ridings and support the amendments of the Opposition.

Miss Aileen Nicholson (Trinity): Mr. Speaker, I am pleased to support the amendment moved by my colleague, the Hon. Member for Saint-Henri-Westmount (Mr. Johnston), which would delete Clause 65 from the income tax Bill before us. Clause 65 removes indexation from the personal income tax system, which means that wage earners and salary earners will only be protected from inflation when it is over 3 per cent.

Indexation in the personal income tax system was introduced by a Liberal Government in 1974 and was intended precisely to protect people on fixed income and low and middle income earners from the ravages of inflation. Now the Government is removing that protection. The effect will be that Canadians will pay an additional \$80 million in income tax for the year 1985-86, an additional \$570 million in 1986-87 and \$4.3 billion for 1990 alone. I stress that the 1990 figure is not cumulative.

The Minister of State for Finance (Mrs. McDougall) told us that this step is necessary because of the deficit. We are all concerned about the deficit, but surely there are choices to be made about the measures with which one approaches the deficit. The choice that has been made by the Government is to ask the ordinary Canadian earner to shoulder the burden while the Government is giving tax holidays to corporations, multinationals and the affluent.

The Minister of State for Finance spoke very eloquently of her concern about the deficit and a responsible approach to its reduction. But where was the Government's concern for the deficit this year when, in the very same Budget from which these Bills we are dealing with arose, it chose to give \$2 billion by way of a tax gift to the multinational companies? I stress

that it is multinationals because the particular tax holiday arrived at is one that essentially favours the multinationals and not small Canadian companies.

Where was the concern about the deficit when the Government, without adequate information, launched into its ill-fated rescue of the Canadian Commercial Bank, which will cost Canadian taxpayers a minimum of \$1 billion?

Where was the concern about the deficit when it chose to give a capital gains tax holiday to the affluent with no requirement that it benefit the Canadian economy in any way? That is a measure to which we will return later in this Bill.

Meanwhile, indexation protection is removed except when the cost of living index exceeds 3 per cent. This is taking place at a time when the Government, through other measures, such as Bill C-80 which we will deal with shortly, is building in inflationary measures.

The removal of this indexation protection hits low and middle income earners hardest. While the wealthy minority is being rewarded by the Government without any requirement for benefit to the Canadian economy, deindexation of the personal income tax system will take a progressively larger tax bite from low and middle income earners who are least able to afford it.

Over the next four years those earning \$15,000 a year will have a cumulative tax increase of 36 per cent. Those earning \$100,000 a year will have an increase of 4 per cent. Deindexation, coupled with the Budget's other measures to increase sales and excise taxes, puts an inordinately heavy burden on low and middle income earners. They are the very people who would strengthen economic growth through consumer spending were it not for the dampening effect of these proposals.

This is a measure which bears unfairly and too heavily on low and middle-income earners, while other clauses in the Bill give very generous presents to those who can well afford it. I invite the Government to accept my colleague's amendment to eliminate this inequitable proposal and come back with new proposals of real benefit to Canada and Canadians.

[*Translation*]

The Acting Speaker (Mr. Charest): Order. It being one o'clock, I do now leave the Chair until 2 p.m.

At 1 p.m., the House took recess.

AFTER RECESS

The House resumed at 2 p.m.