

forced to reconcile two competing imperatives—the need to ensure the continued viability of the security service and the responsibility to provide valuable information to this House and its members.

I believe that the commitment of this government to make more information possessed by its departments and agencies accessible is confirmed by the provisions of Bill C-43. However, even under the proposed access to information legislation, information held by the security service or details of its operations and methods are intended very largely to be exempt from public disclosure.

Even the revelation of whether an individual or group is of interest to the security service is in most circumstances of assistance to those who are involved in subversive activities. If in the process of such a revelation detailed insights are offered into the level of knowledge and operational methods of the security service, again the ability of that service to continue any particular operation or to use certain methods is undermined. Finally, if the subject of a question to the government concerns of foreign national, an organization of a foreign state or a ship such as the *M.V. Odessa* and if the security service interests were to be denied or confirmed, any such comment might well precipitate criticism or a complaint from the foreign government concerned.

For these reasons, the policy of successive ministers, including the Solicitor General and his predecessors responsible for the security service, is to deny specific details of security service files, operations and methods.

● (2210)

NATIONAL REVENUE—INQUIRY WHETHER TAXES WILL BE REDUCED

Mr. John Gamble (York North): Mr. Speaker, on November 17, 1980, I had occasion to ask the Minister of Finance (Mr. MacEachen) whether, in light of impending tax reductions in the United States, it was anticipated that this government would follow suit and reduce taxes in Canada. The minister responded to me by referring to the provisions of his budget, which continue an indexation system. In his answer to me the minister went on to say:

—the kind of decreases in taxation which occur as a result of indexation and which occur in the United States because of such announcements.

In other words, they are the same.

These tax decreases take place automatically in Canada.

There is a substantial difference between an indexing system applied to deductions and rates in Canada which has the effect of simply placing taxpayers in the same position they would have been in had there not been the galloping inflation from which we suffer in this country, and a planned method of substantially reducing taxation.

I spoke on November 17 of the Kemp-Roth proposals which had been introduced in the U.S. Congress and from all reports with which President Reagan of the United States intends to proceed. In answering my supplementary question, the minister made the following comments. He said:

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—the Canadian tax system compares favourably with that of the United States or any other tax system from the point of view of attracting investment and from the point of view of the burden on the taxpayer.

He went on to suggest that, in any event, the proposals to which I made reference were not as yet enacted in the United States.

With respect to his assertion that our tax system is as favourable as that of the United States or anywhere else, I think it is very important to have regard not to the rates of tax alone but rather to the amount against which those rates apply; in other words, under our statute, the taxable income. The minister will know that in the United States husbands and wives are entitled to file joint returns and split their income. The minister will also know that in the United States it is permissible to deduct interest payable on such non-business assets as personal residences. The minister will also know, if he examines the facts, that businesses in the United States are entitled to carry forward their business losses indefinitely, whereas in Canada we are obliged to restrict those losses which are carried forward to a period of only five years.

He will also know that in treatment of inventory evaluations the U.S. system is immeasurably more attractive to business than it is in Canada. Put succinctly, then, a 50 per cent tax rate against 50 per cent of one's income is decidedly less burdensome than a 50 per cent tax rate against all of one's income. So the minister's assertions, if they are based upon rates alone, are not the answer to the question.

It is well known by the business community, and by any employees of any business which has had a move to Canada from the United States, that the tax burden in this country is immeasurably greater than what it is in the United States. Therefore, the assertions which are made are not borne out by the facts. If the minister maintains his determination to sustain high levels of taxation in Canada, I submit the result will be most damaging to our entire economy. There are businesses with operations both in Canada and the United States which have their parent operations in Canada. There are businesses of the same nature which have their parent operations in the United States. In any event, businesses with operations on both sides of the border will naturally choose to conduct their sales operations and generate their profits in the area of lowest taxation. That will be extremely damaging to our future business development in Canada. It will be damaging to the opportunities for employment which are offered in this country.

● (2215)

It is also important to note that when expansion of a business enterprise takes place, that expansion is more likely to occur in an area of low taxation. Once the bricks and mortar, the plant and machinery, are in place in a foreign jurisdiction it will take nothing short of TNT to move it back to Canada. Accordingly, the losses to which I referred are of a permanent nature, or almost permanent, and they are something to which the minister ought to direct his attention.