

*Taxation Reform*

will take a good, hard look at this particular aspect of the taxation proposals in the white paper and will, in the interests of fairness, point out to the government that this proposal will not really reform Canada's tax system.

**Mr. Maurice Foster (Algoma):** Mr. Speaker, may I make a few comments about the white paper on taxation.

**An hon. Member:** Make them brief.

**Mr. Foster:** My colleague has asked me to be brief. I will be, because I am sure we are all anxious to get away for our Christmas recess. The initial response of Canadians generally has been very favourable to this white paper on taxation. The initial bloom, however, will fade as time goes on because those who will have benefited by the proposals will say, "Aha, I have benefited," and promptly forget about them, whereas those who will have to pay higher taxes will continue pleading their case. Certainly, the majority of Canadians will benefit, because under these proposals some 750,000 Canadians in our lowest income tax categories will not have to pay any income tax. Another 3 million Canadians will be paying less tax than now, and 800,000 more will be paying roughly what they are now paying. All these people, obviously, will be pleased with the proposals. Some 3 million Canadians, however, will pay more tax than now, and I am sure that we shall be hearing more from them in the future.

I support the entire philosophy of the white paper on tax reform, because it says that taxation must be according to ability to pay. In this respect the proposals are progressive. Certainly, people in low income brackets welcome higher exemptions. The deductions of \$500 per year, provided for working mothers for expenses, up to a total of \$2,000 for four children, are a welcome part of the reform. There are also to be deductions for workers who move. These constitute an important reform. In my area, especially, many people are coming in to take up employment or moving to other towns to better jobs. If they move at least ten miles to take up a new job they will be able to claim their moving expenses.

Another important deduction will be that pertaining to expenses incidental to employment. Many workers in my area must travel up to 50 miles to their jobs. While they may feel that they should have been permitted in the past to claim their travelling expenses, they will feel no doubt that, although the

present proposal will not enable them to recover completely the costs of transporting themselves to and from work, it is taking a long step in the right direction.

A letter I received makes the bland statement that this bill will kill all small businesses. I should like to examine that statement. First of all, it is not a bill but a white paper, and I congratulate the Minister of Finance for bringing forward these reforms in a manner that will enable all Canadians to participate in developing a new tax system for our country. So, we have here a white paper, and when it goes to the standing committee all Canadians who wish to will have an opportunity of presenting their views. Ultimately, many of these recommendations will be incorporated in our tax laws.

The second part of this statement indicates that all small businesses will be affected. This is a little hard to believe because only about 40,000 or 50,000 of some 450,000 small businessmen in Canada are incorporated. Nevertheless, throughout the country the idea is common that all small businesses will be affected, and I think this ought to be clarified. It is also incorrect to say that the corporation tax rates applicable to small incorporated businesses will be automatically increased from 21 per cent to 50 per cent under these proposals. The rate of 21 per cent now applies to small companies, but hereafter taxes, would be assessed on the first \$35,000 of profits at the same rates as apply to the personal income of the company owners.

When one considers the situation of the businessman who is expanding his business and developing more sources of business and who, by his activities in the community is developing more job opportunities for those living in this community, it will become apparent that present proposals, especially in the light of high interest rates are not quite fair. This is so because that businessman will encounter difficulty in raising capital for expansion. I, therefore, feel that the proposals relating to taxes on small incorporated businesses need to be studied by the committee. Amendments may have to be made, because I do not think the proposals are complete in their present form.

Another matter which needs further study, and a number of businessmen have asked me about it, is that pertaining to deductions for expenses incurred while entertaining or while attending conventions. A man in the lumber business asked me about this aspect. He sells most of his products abroad, and does much