

Income Tax Act

appease big business which believes it has to compete with the co-operative movement.

Many members are involved with the problem, but we do not have the facts in front of us. I should like to know from the officials, through the parliamentary secretary, if they have calculated whether there would be a loss of revenue. It would seem to me, even with the safeguard of one third of the taxable income and the concession made concerning people who declare their patronage refunds at the end of the year, this would be quite a source of revenue to the treasury. So, if there is no difference in the taxation revenue to the treasury, there would seem to be no justifiable reason for retaining the capital employed concept. On the contrary, I think everything is against such a complicated formula because the people dealing with co-operatives are mainly private citizens who do not know very much about the taxation system. Why complicate it for them? I do not see any administrative problem, as I mentioned a while ago.

• (2:50 p.m.)

If you look at the number of taxpayers who receive patronage refunds on which they have to pay taxes, that is those who receive such refunds as a result of purchases, the number would be very small indeed. I am referring to those who receive refunds of under \$100. If that is the case, all that would have to be done by national revenue would be to say to the co-operatives "you will withhold taxes. You send refunds to everybody, but only hold taxes after the patronage refunds have reached a certain limit". It must be possible to look at the statistics for the past few years and find out the percentage of taxpayers receiving patronage refunds and what amount they receive. It would be administratively simple to say "send them to everyone, but only withhold taxes after a certain amount of refunds has been reached".

I really cannot see that there will be a loss to the treasury. If there is a loss to the treasury by accepting the proposals of the co-operatives, I am ready to listen to that argument. That would change the picture. After all, somebody in this country has to pay taxes if we are to provide public services. If we went to a co-op oriented economy, co-ops would have to pay more taxes. However, I do not think that is the case. I do not think that anybody in a responsible position would say that co-ops compete unfairly with private business. I have seen how co-operatives operate. The type of competition they provide has brought about social justice as well as patronage dividends. In areas of the Maritime provinces, where there are co-ops, the price of fish is higher than in communities where there is only private business.

There is a social need for co-operatives. I do not think we should be concerned about the competition from co-ops. I believe that the competition co-ops give to business brings about more social consciousness in this country. I am a defender of the private enterprise system. As a matter of fact, I was in private business. I never had unfair competition from co-operatives. As a matter of fact, business people who support the concept of private business and not state intervention should be happy to see co-operatives because with co-operatives you also have social progress. The more progress you have, whether social, cultural or economic, the better for everyone.

I do not believe business people in this country or any member of this House would be such strong supporters of private enterprise to want private enterprise at the expense of competition. What good is society if we do not have as a basic philosophy the protection of the individual? The capital employed concept was introduced into the taxation system approximately 22 years ago. If this is the only pressure, I urge the parliamentary secretary and the Minister of Finance to change their minds on this.

Why complicate the system for co-operatives or, for that matter, for anybody? If there is a difference in revenue, that is a horse of a different colour. If there is not a difference in revenue, we should do away with the capital employed concept. We should then accept the proposals of the co-operatives and let them operate as they were intended to operate. Members who use the patronage refund as a business revenue, should pay the taxes. We should not complicate things just because big business people are afraid of competition from co-ops. Let there be no doubt about where I stand. I stand with the co-operatives.

Mr. Mahoney: Mr. Chairman, for the information of the hon. member for Richmond, the transitional provision covering the 10 year phase in does not appear in the amendments to sections 135, 136 and 137 that we are now considering. It is in part III of the bill. The hon. member will find the text of the amendment on page 9166 of the English edition of *Hansard* for October 29. I do not know what page it is in the French edition.

Mr. Harding: Mr. Chairman, I wish to take part in the discussion on the tax bill this afternoon, particularly on sections 135, 136 and 137 which deal with co-operatives and credit unions. I have a number of comments to make. I received a considerable amount of correspondence from my area on this matter. I am going to pass this information on to the parliamentary secretary because I feel that his views on this topic certainly need updating.

Yesterday and today, I listened with interest to the views of members of all parties. Almost without exception, the members are not happy with the legislation before the House. They have indicated that changes should be made. I am not thinking in terms of making some rather minor amendments. I suggest to the parliamentary secretary and the government that they should take another look at the whole approach to co-operatives and credit unions.

There is a very clear indication that large segments of the Canadian population are disturbed over the legislation currently before us. They are asking the government to make changes in it. That is the reason for the considerable amount of debate on these three sections. Frankly, I believe there will be more debate. After the debate ends today, the government would be wise to stand these sections for a day or two, take a good look at them and bring in some meaningful amendments which will not cripple either the co-operative movement or the credit union movement in the vital function they are playing in society today.

Quite frequently the government is not too happy when opposition members speak about these points. However, I would like to make this point in passing. The speaking out on the second reading of this bill, and the opposition from