

*Income Tax Act*

I would also draw the attention of the government to the fact that it seems very liberal to increase the basic exemption from \$1,000 to \$1,500 and from \$2,000 to \$2,850. It must not be forgotten that new elements have been included in the taxable income, like one-half of capital gains for instance. Payments from income maintenance plans will likewise become taxable, as well as adult training allowances, allowances paid under the Textile and Clothing Board Act, unemployment insurance benefits and scholarships, fellowships and bursaries, except for the exemption of \$500.

This means that the basic exemption will be reduced by all these forms of income which become taxable, and one could find oneself not with \$2,850 anymore, but with \$2,500 or \$2,400.

Mr. Chairman, in concluding my remarks, once again I urge the Parliamentary Secretary to the Minister of Finance to get my message to him on behalf of my constituents of Bellechasse and of all other Canadians. Let us be reasonable and prove that we are intelligent people, that we know how to use the gross national product and let us allow Canadians to benefit from that product in order to meet their everyday needs.

[English]

**Mr. Baldwin:** Mr. Chairman, I shall not detain the committee very long. Indeed, I hesitate to get into this debate after the remarkably strong and eloquent address to which we have just listened, but I am going to deal with a much more mundane issue. When I read through sections 109 and 110 I am disappointed that they do not make provision for something for which I have argued in the past, namely a special tax reduction for those resident in the northern part of Canada. This is something that I have been pursuing for 25 or 30 years. In the House and elsewhere I have always met with the answer that it cannot be done because there must be tax rules of uniform application across this country; that it is not possible to take a parallel of north latitude as the boundary line between those taxed at one rate and those taxed at another or changes in deductions. I recognize that for administrative purposes there is some merit in the answer, but when we look at some of the things that have taken place in the last few years, particularly in the regional economic expansion program, we note that with respect to the recovery and depreciation rules at least, there are opportunities for varying the rules by the application of different rates across Canada.

The fact remains, Mr. Chairman, that what we have seen in the northern part of this country has been a failure to develop what I think is required if we are to settle in and win the north, in the sense that it should be won, a small entrepreneurial class. We have the native peoples who are now in many cases emerging from their native positions to take jobs in the milieu of the outside world. We have the large corporations and we have government, both of which make certain provisions for special northern living allowances. However, these are uneven in application and are applied to people who go into the north for a comparatively short period of time, maybe two or three years, and who serve their time and leave. The result of this policy has been that the increase

[Mr. Lambert (Bellechasse).]

in the northern population has not been what it should be when compared with other countries.

Recently we have had an opportunity to entertain Premier Kosygin and I am sure he has related some information about northern development in the Soviet Union. No doubt when the Prime Minister and others were over there they saw what has happened. It is known that certain incentives are given to people in the Soviet Union to go into the north. I suggest that through deductions for income tax purposes it would be mechanically and administratively possible to work out additional concessions for people living and working in the north. I shall not deal with the question of corporations because that comes under a different aspect of the bill. I think it is essential, however, that there be some permanency of tenure in that part of the country. Today we have to provide concessions for people who go in there to work, so they will have an incentive to stay. These concessions will have to be reflected in the rate of taxation.

In all seriousness I suggest to the minister and the parliamentary secretary that they should review their files on this matter. I know that my hon. friend from the Yukon has mentioned this subject from time to time, and I have raised it in this House on a number of occasions. There is no doubt that the further north you go the more expensive it is to live. I can recall the early days when I first went into the northern part of Alberta. It used to be fairly rough rule of thumb that every 300 miles you went north of Edmonton doubled the cost of everything, including liquor, Mr. Chairman. While it might not be that severe today, I suggest that this phenomenon is still to be observed. The government has a responsibility to make longer range plans for the development of the northern part of Canada than those that exist today because the people living there are subjected to a much higher cost of living. I am just going to leave it at that.

• (3:40 p.m.)

I am not berating the government particularly because I know there are departmental and administrative difficulties. I warn the government that failure to enact some simple concession of this kind is bound to have an adverse effect on development in the northern part of this country. I ask the parliamentary secretary to look seriously at this proposal. It may be impossible to implement it by December through the December budget. We are now in a cycle of monthly budgets. It may be that when we come to the January, February or March budgets this proposal can be implemented. You see, we are looking six months ahead, and there ought to be ample time for the gestation of this creative idea so that it may be delivered as a healthy and virile child some months from now.

**Mr. Knowles (Winnipeg North Centre):** Mr. Chairman, I hope and believe that we have made our position with respect to proposed section 109 as clear as it can be made. We favour a tax credit system rather than a system based on exemption levels. We did our best when the Standing Committee on Finance, Trade and Economic Affairs was dealing with the white paper to make this point. We did our best to make it at second reading and we have done our best thus far, in committee of the whole consideration, to make that point. We do not seem to have persuaded the