

*The Budget—Mr. Saltzman*

There is a tremendous difference in respect of how one is treated and how the other is treated. Let us turn to our maroon booklet again, at page 17. I might say I appreciate the opportunity the government gave us to have an extra two hours in advance to take a look at this book and have some of the federal civil servants available to us to answer some questions. During the time we were locked up, I asked a question regarding the taxes that would apply to those who receive their income from wages and salaries as against those who receive their income from dividends. I asked what the difference is. Well, at first there was a fair amount of hedging concerning whether in fact this calculation could be made. Finally, the calculation was made and I should like to place it on the record. It is not my calculation. It is a calculation made by some of the people in the government. I believe I understood them correctly and I think these are fair figures. If we look at the figure for the taxable income bracket of \$5,000 to \$7,000—and we agreed to take it on the \$6,000 basis—if your income is from wages and salaries your tax at the lowest end of the bracket, at the beginning of the bracket, is \$1,280.50. However, if you are receiving your income from dividends, because of the 33½ per cent tax credit, your taxes are \$200. This is a considerable difference.

How can we talk about a fair tax system when we distort it in this particular way? Is a man who must work with his hands or a man who gets his income directly from work either in the form of wages or salary less fortunate in this nation than the man who has been left some money or who has some money invested and does not have to do anything more than just collect the dividend cheques? Is the man on wages and salary less valuable to this country than the other? Is he to be punished because he works rather than because he is rich? This is the only basis for having this kind of a change. Let us go to the man in the \$11,000 to \$14,000 bracket. We took the figure of \$12,000 in order to make the deduction because they said it was difficult to do it in any other way. In this bracket the man on a salary of \$12,000 would have to pay in taxes \$3,230.50. If he is receiving the same amount in the form of dividends his tax is \$2,000 less. When the government talks about providing incentive to people in this country, I ask where is the incentive for someone to work when he sees that by working he pays a full share of taxes while the man who gets his income not from work but from some investment or from some savings, his or someone else's, gets off pretty lightly.

I do not believe a man would be very happy about working hard under these circumstances. I do not think there would be any joy in my heart about paying taxes in that type of situation. That is the kind of budget and the kind of taxation system that is being continued. I am sure government members will say they are surprised the hon. member for Waterloo would make such a statement because after all is he not interested in doing something about foreign ownership. They would say the reason we have this 33½ per cent dividend tax credit is to encourage Canadians to invest in Canadian corporations. They would say this has been done because we want to

do something about foreign ownership and they would suggest that the hon. member for Waterloo should agree. What nonsense! You do not have to give away the moon in order to do something about foreign ownership. Perhaps they do not know it, but they have the power to legislate, as has every other country in the world, in respect of foreign ownership. It is not necessary to distort the tax system because you have a problem in respect of foreign ownership. Sure, we have a problem, but this is not the way to solve it.

Furthermore, Mr. Speaker, we have had a tax credit for dividends for a long time now. During the period in which we have had this tax credit we have sold out faster, faster and faster. The truth is it has not worked. No incentive or inducement in respect of taxes has in fact worked. People who say our tax system involves too heavy a burden forget that we place a lighter burden on the investor in Canada than does any single country in the world, including the United States. Up until this moment, we did not even have a capital gains tax. You know what the effect of this light burden on taxation on our entrepreneurs has been? It has provided them with a marvellous incentive to sell out. The absence of a capital gains tax, and even now the half capital gains tax, makes it more profitable to sell a business and get your money tax-free than to run it and pay taxes. If we wanted to design a system to sell out the country we could not have done a better job. The whole system which has been designed to discourage foreign ownership and to encourage Canadians who would be able to handle the business perhaps even better than the foreign owners, did not work out.

The present changes are continuing the same pattern. Let me show you how inconsistent this government is in the area of investment. After all, the dividend tax credit applies to all Canadian companies. Obviously, the government came to the conclusion that when it came to investment companies, even this very considerable bribe would not prove to be effective. So, what did they do? They wrote into the legislation that 90 per cent of the investment must be Canadian and only 10 per cent in foreign corporations. It does not take more than two sentences to say that, and it is going to work. The same thing was done with the Bank Act. There is ample precedent for legislating against foreign ownership in those cases where we think foreign ownership remains a problem. In my view there is no justification for distorting the tax system, thus making it inequitable, unjust and unfair to the ordinary people of this country by giving these concessions to encourage Canadian ownership. In our experience, it does not work.

• (3:10 p.m.)

As I said earlier, it is difficult to separate the tax changes from the fiscal measures in this budget. It has been obvious for a long time that more stimulation of the economy was required. The government has acknowledged this. Last year they ran a deficit; this year they are projecting another deficit. Some people say that it is inflationary. They forget that yesterday they were worried about unemployment. We still think that unemploy-

[Mr. Saltzman.]