

Income Tax Act (No. 2)

Party, but that it is shared by some of the most highly qualified and non-partisan people in the country. Mr. Raynauld stated:

The most recent study in Canada shows that 20 per cent of family units at the lowest end of the income scale receive 4.3 per cent of total income, and half of that is in the form of transfers from government. At the other end of the scale, the richest 20 per cent of family units receive 45 per cent of total income.

He went on to say:

The Canadian tax system in 1969 was extremely regressive at the lower end of the income scale. That is, over-all effective tax rates were higher for the poor than for the rich.

Corporate, sales and property taxes were found to be regressive. The only tax in the entire system which was progressive over all incomes was personal income tax.

Then Dr. Raynauld said:

According to the Economic Council of Canada's definitions of poverty ranging from an income of \$2,013 for an unattached person to \$5,368 for a family of five or more, 22 per cent of all family units in Canada are poverty-stricken.

That is the picture as presented to us by the chairman of the Economic Council of Canada. Despite this, we find the Minister of Finance making a proposal which will further tip the taxation system in favour of greater returns for those in the high income brackets as compared with those in the lower income brackets.

It has been argued that corporation taxes need to be cut because corporation profits are not large enough. I suppose that what one considers large enough is a relative matter. For the person who is benefitting from increased corporation profits, any tax is too much. If one looks at the financial pages of the *Globe and Mail*, the *Financial Post* or the *Financial Times* one sees there has been a sharp increase in the profits of Canadian corporations. Let me put on record again, as I have on other occasions, some of the figures. Almost a year ago, on July 28, 1972, the *Globe and Mail* reported that corporation profits continued to rise, with an advance of 24 per cent in a quarter. On June 29 of this year the *Globe and Mail* carried a story headlined "Profits after tax rise 30 per cent in quarter from a year earlier." It began:

Profits after tax of Canadian companies for the first quarter rose almost 30 per cent from a year earlier, according to a final report on business sampling of 296 corporations. The profit rise, which continues a trend that began in the third quarter of 1971, follows increases from a year earlier of 16 per cent and 24 per cent for the third and fourth quarters of 1972 respectively. The largest year to year gains were registered by the paper and forest, construction and materials, base metals and real estate groups.

Let me pause to comment on that last item. According to the table in the *Globe and Mail* which accompanied this article, real estate profits increased by 125.8 per cent in the first quarter of 1973 as compared to the first quarter of 1972. Is it any wonder that the price of housing is increasing at a fantastic rate? Is it any wonder that not only people in the lower income brackets but those in the middle income brackets are finding it increasingly difficult, if not impossible, to make the payments necessary to buy any kind of house at the present time? It is not at all surprising when one realizes what has happened to the cost of mortgages, when one realizes that the mortgage interest rate for a house is now approaching 10 per cent, and when one sees that the profits made by the banks in

[Mr. Orlikow.]

Canada have increased substantially in each of the past three or four years.

On December 2, 1972, the *Globe and Mail* carried a lead story headed "Profits of eight chartered banks rise 23.2 per cent to \$229,956,000". This was the increase compared with the year 1971. Yet the banks are being permitted—that is too gentle a phrase, Mr. Speaker—the banks are being encouraged to increase their interest rates, supposedly so as to slow down the inflationary process. In effect, however, the banks will make larger and larger profits in consequence of these higher interest rates and the cost will be passed on to the consumer.

● (1540)

One can go through the *Globe and Mail* almost every day and find company reports. We find on May 1, 1973, a report which indicates that Canada Packers showed a profit increase to over \$14 million from \$10 million a year before. That is an increase of some 40 per cent. According to the *Globe and Mail* on April 19, 1973, Texaco had a profit increase of 15.2 per cent in the first quarter of this year. According to the *Globe and Mail* of April 19, for the first three months of 1973 INCO estimated profits to be \$36 million, up from \$18,689,000. Ford Motor Company has already announced that next year's cars will be up \$300 or \$400 in price to the consumer. Ford Motor Company reports profits for the first three months of 1973 of \$37.6 million, compared with \$23.2 million a year earlier, yet they have made it very plain that their prices will go up next year.

In spite of these very sharp increases in corporate profits we are being asked, in all seriousness, by the minister to approve a reduction in corporate taxes from the present 49 per cent to 40 per cent. I suggest to the Minister of Finance that there is no evidence that corporations need this reduction in taxes in order to continue making more than adequate profits, and there is no evidence that a decrease in the corporate tax rate will persuade them to invest large sums of money in new plants and equipment, as the minister expects them to.

Companies invest in new capital equipment and machinery if they expect their sales will be of such a nature that they will not be able to fill their orders with the plant and equipment they have. I suggest to the minister that not only are their profits at a level where they do not need this tax cut, but if the minister really wants corporations to invest large amounts of capital in modernizing, improving and increasing their plant capacity the best thing he could do would be to reduce personal income taxes. The minister should not proceed with this decrease in the rate of corporate taxes; he should reduce substantially personal income taxes, particularly for people in low and middle income brackets. I am thinking of the 22 per cent who are still living in poverty and the very large percentage of people whose earnings are in the neighbourhood of \$6,000 to \$10,000 a year. With prices as they are today, these people are not able to do anything, or very little, in the way of saving; they have to spend every cent they make in order just to live. If the minister wants to persuade the corporations in this country to increase their productive capacity, he should show them a sharply increased market for the products they produce; and the way to create that sharply increased market is to cut