

Adjournment Debate

Mr. Paul Dick (Parliamentary Secretary to President of Privy Council): Mr. Speaker, I am pleased to have the opportunity to speak on this issue. In my view, the minimum tax represents a very important development in improving the basic fairness of the tax system. The discussion paper on the minimum tax, tabled in the last Budget, presented three possible options for a minimum tax; an alternative minimum tax (AMT), an add-on minimum tax, and a limit on tax preferences (LTP).

Under the AMT option, a separate and alternative tax structure to the regular income tax would be established. The AMT would have its own tax rate which would be applied on an expanded income base.

The second option, the add-on minimum tax, would effectively serve as an additional levy on the use of a specified list of preference items above a certain exemption level.

Finally, the LTP option would place a limit on the use of specified tax preferences within the operation of the existing income tax system. For example, preference deductions and exemptions could be disallowed to the extent that they exceed a certain percentage of total income, with no disallowance if they are less than a specified dollar amount. A similar limit would be placed on the use of preference credits.

The Hon. Member's question concerns the exemption that will be provided under a minimum tax. In this regard, it is important to recognize that under each of the three possible options, the exemption operates in a distinctly different way. For example, under the AMT option the exemption level relates directly to the income of the individual. On the other hand, under the add-on approach or the LTP option, the exemption level applies to the amount of preference deductions and credits claimed by the individual. As a result, the exemption levels under the add-on and LTP options would not need to be similar to those under the alternative minimum tax option to provide the same relief to lower income individuals.

I should also note that for the LTP option two separate exemptions would be required, one for deductions and exemptions, and the other for tax credits.

One can see from these examples that the appropriate exemption levels will vary depending on the form of minimum tax structure that is chosen. I should add that the exemption level will also depend on the preference items that are included in the base for the minimum tax.

For example, if personal exemptions are allowed as a deduction from an AMT tax base, the general exemption level would not have to be as high as it would be if personal exemptions were excluded in the minimum tax calculation. Similarly, under an add-on tax or an LTP, the broader the list of tax preferences included under the minimum tax, the higher the exemption level should be.

The Minister of Finance (Mr. Wilson) has received a number of submissions on the minimum tax from interested parties. Recently the Minister met with his counterparts from the provinces and discussed the minimum tax options with

them. These consultations have been very helpful in the analysis of the possible options.

At this time, the form of minimum tax, as well as the level of exemption and the breadth of the base of the tax, are still under consideration. However, I am sure that an announcement covering the Hon. Member's question will be made in the future, and certainly in time to introduce a minimum tax on January 1, 1986, as promised.

The Acting Speaker (Mr. Paproski): I regret to inform the Hon. Parliamentary Secretary to the President of the Privy Council (Mr. Dick) that his time has expired.

CUSTOMS AND EXCISE—PLANNED REDUCTIONS IN INSPECTION PERSONNEL

Mr. Bill Attewell (Don Valley East): Mr. Speaker, on Tuesday, September 24, I asked the Minister of National Revenue about the proposed cut in Customs and Excise jobs which are planned over the next five years in connection with the planned centralization of the examination of international parcel mail.

• (1810)

Many of the residents of my riding of Don Valley East are very concerned about the problems of drugs and pornography. While I strongly applaud the Minister's initiative to do his share in reducing the size and cost of Government in this country, I would like his assurance that the rigid control that we require in order to reduce the illegal importation of drugs and pornography will be improved through this process and not in any way weakened.

I do want to share a few thoughts about my reasons for applauding the Minister for his share in helping reduce the size of Government. I believe the proposed cuts amount to about 8 per cent of the total. Individual Ministers can, as this Minister has, show leadership and do their share in reducing the size of Government. Canadians right across the nation are very concerned not only about the size of the federal Government but about the sizes of the various provincial and municipal Governments. Individual Members like myself can help with committee work and by offering ideas and suggestions to the various Ministries.

Deficits are a relatively recent phenomenon in this country. In the last 10 or 15 years, every year in succession has shown an ever-increasing deficit to the point where our cumulative debt is now well over \$200 billion. I regret to project this, but by 1988, just three years from now, the total debt will likely be around the \$300 billion mark.

I applaud the Minister for his action but I do want to talk about the risks that might be inherent in the steps that he is taking. Just before I do that, may I just highlight again the size of the bureaucracy in Ottawa? A recent article in a local newspaper highlighted a number of such instances. Let me cite two or three of them.