

*Income Tax Act*

this House, whether they be in the government or in the opposition, have developed ideas as to amendments as a result of their perusal of this draft bill. Certainly, at this stage the important thing for Parliament to consider is the enactment of amendments to the Income Tax Act which will be of assistance to the taxpaying public.

We may never be able to agree on the intent or principle of every amendment that is made, but one thing upon which we can all agree is that whatever is enacted by this Parliament should be clear and expressed in as simple language as possible. I suggest that in the rather arduous days which lie ahead, when we consider these changes page by page and line by line our aim should be to attain clarity and achieve simplicity.

One is tempted at this stage to refer to the important proposals which have been made for amendment, for improvement, for simplification and for clarification. When considering this measure in committee of the whole, hon. members will have an opportunity to speak on the sections of the bill which most interest them or are of greatest significance to their constituents. For myself, at this stage I ask the indulgence of the House to discuss for a few moments the same questions which were discussed by the hon. member for Lotbinière (Mr. Fortin) during the speech which preceded mine.

I refer to the apprehension, the concern, the alarm and the fear which has been caused by the proposals in clauses 135, 136 and 137 of Bill C-259, with specific reference to the taxation of co-operatives and credit unions. These proposals have been received by co-operatives and credit unions with some consternation. I am in a position to speak rather personally and with knowledge of the effect of these proposals on such organizations. Perhaps I am compelled by our parliamentary rules to say again, as I have said previously, that before my entry into Parliament, when I was practising law I was for many years solicitor and counsel to the Co-operative Union of Canada as well as many other co-operative organizations and credit unions. During the time I held this professional responsibility for co-operatives and credit unions I was directly involved in discussions both public and private on representations presented to the Carter commission, and in discussions with government officials.

Throughout our history the proper basis for a tax system of co-operatives and credit unions has been a controversial matter. I do not now intend to go over all that history except to say that one good principle has been retained in Bill C-259, a principle that has been in Canadian income tax legislation since it was first enacted in 1917. That principle is that not all taxpayers are treated as though they were the same kind of person. There are many examples of this. Throughout the history of this legislation co-operatives and credit unions have been treated differently, for tax purposes, from ordinary corporations because they are in fact different. They are different in their structure, they are different in their operation and they are different in the way in which they allocate their savings and their gains.

• (4:30 p.m.)

For this reason I approve of the philosophy behind Bill C-259 which recognizes it is not the function of the tax legislation of this country to put all taxpayers in the same

mould, to attempt to treat them as if they were all the same kind of people, but to recognize there are differences in taxpayers, be they corporate or individual, arising from their structure, the type of business they conduct and the operational pattern they follow. That important principle having been established, it remains only to determine whether the proposals contained in Bill C-259 are a proper way of treating the income of co-operatives and credit unions for tax purposes.

Most members of the House will have received detailed presentations from credit unions and co-operative movements which indicate beyond any doubt that there is a flaw in the present proposals. I do not intend to deal with this problem in detail, but I think it can be clearly said that if these proposals are persisted in they will have one of two effects. First, if co-operatives and credit unions continue to do their business as they have been doing it for many years, they will be forced out of business in a short time by the new tax system.

The only other alternative for co-operatives and credit unions is to change radically their method of operation so that they will become like ordinary corporations. If they should do that they would continue in business but would cease to serve the important social purposes which they now serve. These points have been made forcefully through many representations which have been placed before the government by co-operative organizations and credit unions in Canada.

During the vacation, on August 11, a major presentation was made to the Minister of Finance (Mr. Benson) by the Co-operative Union of Canada and Le Conseil Canadien de la Coopération. These two organizations represent co-operatives of French-speaking and English-speaking Canada. Representations of a parallel nature have been placed before the government by the credit unions of Canada, the English-speaking credit unions being represented by the National Association of Canadian Credit Unions and the French-speaking unions being represented by Les Fédérations des Caisses Populaires.

I point out to hon. members that these are popular organizations. The membership of co-operatives is in the order of 1,700,000. The membership of credit unions is in excess of that figure. These are people's organizations and the people of Canada, be they English-speaking or French-speaking, have united through the co-operative movement, credit unions and many other activities over the years. I think we should bear this fact in mind.

I should like briefly to summarize the position which was put before the government by the representatives of the co-operative movement of Canada on August 11. I read from *Co-op Commentary* of September 9:

Mr. Benson was told by the delegation headed by W. B. Melvin, president of the Co-operative Union of Canada and Martin Legere, president of Le Conseil Canadien de la Coopération, that the proposed tax laws would force co-operatives either to pay taxes according to a capital employed formula, considered wrong and discriminatory, or to distribute earnings as interest on member investment rather than rebates on member purchases. The net effect of either of these choices would be to force co-operatives to change their method of financing, their method of dealing with members and their very structure if they are to avoid what would amount to penalties for carrying on as they have from their beginning.