

Income Tax

money into improving pension plans, something the hon. member for Winnipeg North Centre has been advocating for years in this House, be it improvement of old age pensions, widows' pensions or war veterans' pensions. If this were done, I maintain this would be a much better country to live in.

However, Mr. Chairman, I realize that my priorities are different from those of the government across the way. I believe in an egalitarian society. I believe in equality of condition. I believe that those who are wealthy in this country must be willing to sacrifice a great deal in order to help those at the bottom of the income ladder. Under this government the very reverse of this has been happening; the gap has been growing since 1968, instead of diminishing. I can quote table after table to prove that. We should create more jobs so the poor can make a contribution to society, rather than provide more jobs for lawyers and accountants to figure out how their wealthy clients can take advantage of various tax shelters that have been built into this system by this and previous ministers to the tune of \$6.4 billion, according to the welfare report of 1974.

Mr. Ritchie: I have just a few points, Mr. Chairman. First of all, I am glad that the surtax on incomes has been taken off, since I think it is retrogressive in many ways. In levying income tax we tend to forget what the take-home pay is, which is the important thing to a worker. If income tax is too high, wages become too high since each group in society attempts to justify what it receives—in other words, what a person takes home. This tendency has been accentuated by the surtax.

● (1620)

In the province of Manitoba, with an NDP government, those with taxable incomes in excess of \$30,000 are taxed at the rate of 70 per cent. Not only is this heavy tax detrimental to working, but it promotes operations outside the tax system. As a result, there are many operations of a commercial nature that take place outside the tax system and are therefore not subject to the tax. There are many examples of this.

Let me bring to the attention of the minister a matter on which I have received representations. I think it is an important matter in that we all want to promote small business. Many small businessmen are active in the contracting business, and one such area relates to the operation of earth-moving machinery. Let me refer to the regulations and schedule D regarding heavy equipment. The allowable depreciation has been drastically reduced from 50 per cent to 30 per cent. According to my information, this change resulted in a television program on "W-5" which indicated this was a tax shelter for certain people. My accountants have indicated to me that this is in fact the case.

When the government moved to reduce this summarily from 50 per cent to 30 per cent, it put a lot of small operators out of business. The suggestion is that the minister should try to restore the 50 per cent depreciation and find some regulation that would do away with those opportunities for people to use this as a tax shelter. Perhaps it should be confined to those

individuals who have a bona fide record of bidding for these jobs.

It is my understanding that these earth-moving machines cost from \$50,000 to \$100,000. Most contractors prefer contract bidding as it encourages individuals to get into the business with one machine, perhaps as a one-man operation. This particular regulation puts these one-man operations at a disadvantage in comparison to the larger firms which have many machines and a much better access to financing. The regulation, as I understand it, has had the effect of preventing many individuals from entering this contracting business. They might buy one machine and gradually expand, but they find it difficult to finance \$75,000 or \$100,000, particularly when they are only allowed to depreciate to the extent of 30 per cent in the first year. Perhaps if this could be returned to 50 per cent it would make it more easy for the small operators to get into this heavy-equipment contracting business.

Perhaps the minister might care to reply.

Mr. Macdonald (Rosedale): Mr. Chairman, I can advise the hon. member that following an order in council of December 2, the 50 per cent rate was restored in respect of power earth-moving equipment, class 22, and this will be published in the *Canada Gazette* for December 22, 1976.

Mr. Ritchie: I am sure this will be received with enthusiasm by these individuals. Let me turn now to the proposal regarding cattle that must be destroyed by government order. As a result of representations, I understand this is a contentious matter. The amendment will, in effect, allow a farmer to spread his income as a result of the destruction of his cattle over two years. If this is the case I should like to ask the minister if it has received the approval of cattlemen. I think there are certain weaknesses in relation to the two-year period, and I would appreciate an explanation from the minister.

Mr. Macdonald (Rosedale): Mr. Chairman, this comes under clause 30, and I wonder if we might postpone it until that time.

Mr. Ritchie: I would be glad to hear from the minister then, Mr. Chairman. If this measure is not passed by the end of the year, will there be any lapsing provisions and, if so, what are they?

Mr. Macdonald (Rosedale): No, Mr. Chairman.

Mr. Peters: Thank you, Mr. Chairman.

An hon. Member: Merry Christmas!

Mr. Peters: Mr. Chairman, it seems it will not be a merry Christmas for some of the poor people, if we pass this bill. I understand some hon. members would like to see it passed as soon as possible as it will be of great advantage to a certain segment of the population. It amuses me to note that apparently it is only in ridings represented by the NDP that we have minimum and low-wage earners. This is rather surprising when we consider the fact that 38.4 per cent of the workers in