

Income Tax Act

and two children. Under the old system of taxation he would pay about \$1,215 in personal income taxes. Under the new bill he will pay \$1,089, a saving of \$2.42 a week. Another "big deal". The wage or salary earner making \$12,000 a year will gain an extra \$1 a week.

But let us not forget that the wage or salary earner will be paying income tax on his unemployment insurance benefits in 1972. His medicare premiums are adversely affected as well. Any money contributed to a public medicare plan on an employee's behalf will become taxable income. This means that if an employer contributes sixty-six and two-thirds of the OHSIP premium, this amount will be taxable income for the worker. In addition to this, scholarships or bursaries over \$500 that a son or daughter might receive will be taxable. And finally, a worker's union dues are included in his "huge" \$150 work costs exemption.

This brings me to another important point, the double standard being perpetrated by this so-called tax reform bill. The ordinary factory or construction worker who is lucky enough to have 12 months work, has many expenses that certainly cost more than \$150. For example, I was talking to a bricklayer in my riding who travels an average of ten miles to and from work each day. Gasoline and depreciation on his automobile alone amount to approximately \$500 a year, yet he is only allowed the \$150 basic exemption for legitimate work expenses. But the professional who is allowed, I believe, two conventions a year can write off hundreds of dollars for each. Again, I emphasize the double standard.

In the few minutes remaining before we recess for lunch I should like to mention the section dealing with credit unions and I should like to look at it from a personal point of view as well as the point of view of the people in my riding. To begin with, credit unions are a people's movement. Most of them were born during the depression and have survived because of the free time and work donated in many cases, particularly in the small credit unions, by those dedicated to their purpose. The purpose of the credit union movement of course is manifold. You can borrow or you can save, but certainly one reason people are proud of their credit unions is that they are able to escape the loan sharks and the finance companies.

In my riding there are 38 credit unions with approximately 13,000 members. If these credit unions are taxed, Mr. Speaker, probably only two or three will survive because only three have assets of over \$500,000. In 1970, the total assets of all credit unions in the Brantford area amounted to \$7.7 million. This is another example of double taxation. Members already pay taxes on their dividends and on any earnings that may accrue to them from the credit union, so I implore the Minister of Finance to reconsider clause 137 of the bill and to exclude from taxation at least the smaller credit unions, those with assets of less than half a million dollars. If these small credit unions are taxed they will not be able to pay dividends of 4 per cent or 5 per cent but will be reduced to paying perhaps 2 per cent on dividends.

When discussing credit unions we should also recall that members receive a 10 per cent rebate on borrowings, something which one does not get from the bank or finance companies. In short, Mr. Speaker, credit unions are not in business to make a profit; they are in business to serve the

interests of their membership. I am quite sure that no person, at least in the province of Ontario, has ever lost a cent as a result of the failure of a credit union. There have been no Atlantic Acceptance fiascos in the credit union movement.

Another important aspect of this movement, Mr. Speaker, is that during lay-offs, illness, plant shutdowns—even during strikes—often the interest on borrowings is lifted. Until the member is back to work interest is not reapplied to the loan. Where else can one get this treatment? At finance companies and banks? I do not think so. Seventy percent of the interest earned goes to shareholders of credit unions. Credit unions also provide ancillary services which are very important such as family economic counselling, which is free of charge. The basic interest here, of course, is to attempt to put people back on the road to financial security, and I think this is a very important aspect of the movement as a whole.

The Acting Speaker (Mr. Laniel): I regret to interrupt the hon. member. It being one o'clock, I do now leave the chair to resume the same at 2 o'clock p.m.

At one o'clock the House took recess.

AFTER RECESS

The House resumed at 2 p.m.

Mr. Blackburn: Mr. Speaker, before the luncheon adjournment, I was referring to what I considered to be the unjust proposed tax that would affect the credit union movement in Canada. I was saying that the credit union movement is a people's movement, a movement in many respects born of and nurtured by ordinary, individual Canadians for a common cause and a common purpose. I should now like to continue with my remarks relating to this aspect and to one or two other aspects.

The provinces demand that credit unions have guarantee funds which are reserves for doubtful accounts. The present basis for providing for the guarantee fund is to transfer a fixed percentage of yearly earnings. Generally, provision is made to reduce or eliminate the transfer required when the fund reaches a certain percentage of the total amount of members' shares and deposits. To my knowledge and information, there is no evidence that these reserves are excessive.

The most that the government of Canada can expect to realize in this area would result from a tax on whatever amount of reserves are considered to be excessive. As these reserves are created by provincial legislation and not by management decision, it seems reasonable to assume that the tax revenue would be gained at a future time when the reserve is reduced and the funds distributed to members by way of dividend. In effect, then, the government would simply have received an interest free loan of an insignificant amount from the credit union movement. When one considers that the proposed tax change will inconvenience credit unions and in fact lead to exorbitant tax burdens on the small credit unions, one wonders why the government is so bent on crippling this very essential and socially acceptable movement. Could it