

*Income Tax Act*

between the time of a budget and the passage of the bill in the House. The complexity and length of this bill required even closer consultation and co-operation. Earlier this year officials of the Department of Finance were in touch with the Canadian Bar Association and the Canadian Institute of Chartered Accountants. These organizations and the Canadian Tax Foundation formed special committees which later prepared briefs for submission to the government. They also met many times with officials of the Department of Finance during the summer. I should like to thank these organizations, as well as other organizations which have submitted briefs, for their good work. Submissions from other organizations are still arriving. As a result, technical deficiencies requiring amendments are being continuously brought to the Minister of Finance for decision and sent to the law officers of the Crown for preparation of amendments. These will be moved by the government during the clause by clause study following the second reading vote.

During the summer, the Minister of Finance also discussed the implications of federal tax reform for the provinces with his provincial counterparts. This was followed up by meetings between federal and provincial officials. A main goal of tax reform has been to achieve a federal system which the provinces would find acceptable. The legislation reflects many of the important representations made by the provinces following the publication of the white paper on tax reform.

At their meeting in July, the Minister of Finance reminded the provincial treasurers and finance ministers that those provinces which harmonize their income tax systems with the federal system will receive the same amount of revenue between 1972 and 1974 as they would under the existing system. Income taxes are being reduced for most taxpayers and the federal government is prepared to bear the cost; it is not our intention to force the provinces to share the cost of these reductions. But while it is felt that the provinces should not suffer financially from the federal tax cuts, it is also felt neither should they gain. Therefore, the provinces were informed that the federal undertaking to guarantee provincial income tax revenues if their systems are harmonized with the federal system is conditional upon the provinces establishing rates on January 1, 1972 which, when applied to the new tax base, will result in provincial income tax revenues no higher than during the current year. After that date, the provinces will be free, subject to the provisions of the tax collection agreements, to adjust their rate as they wish.

• (4:10 p.m.)

In seeking approval in principle for this bill, I should like to review what we feel the goals of a good tax system should be.

• (4:10 p.m.)

*[Translation]*

A good tax system must be responsive to the economic and social needs of the country. It must also distribute the tax burden fairly, and it must convince most taxpayers that fairness has been achieved. This means that persons in similar circumstances should share similar tax loads, and those with the lowest incomes pay a smaller share of

[Mr. Gray.]

their incomes in taxes. There must be as few loopholes as possible, and in a complex commercial and industrial society this requires fairly complex tax laws.

A good tax system must be capable of efficient, economical and objective administration. And, as I mentioned earlier, in a country such as Canada the federal tax system must be capable of being harmonized with provincial tax systems to avoid a tax jungle.

*[English]*

As the House knows, some of the measures in the June budget are already in effect. A further stimulus to the economy was provided by the abolition as of July 1 of the 3 per cent surcharge on personal and corporate incomes. The abolition of the personal surtax alone will add about \$90 million to the buying power available to Canadian families and individuals during the second half of the year.

The lowest rates of federal tax were changed to eliminate taxes after July 1 on persons with taxable income of less than \$500. This change was accomplished in the main by relieving taxpayers with \$500 or less taxable income from liability for the whole year under Part I of the Income Tax Act. The guaranteed income supplement for persons 65 and over was exempted from tax, retroactive to January 1 of this year. These latter two changes meant an end of income taxes after July 1 of this year for more than three quarters of a million persons.

The bill, providing it is approved by Parliament, will bring further tax relief to millions of individual Canadians on January 1 and in subsequent years. Personal exemptions are raised to \$1,500 from \$1,000 for single taxpayers and to \$2,850 from \$2,000 for married taxpayers. This is the most fundamental form of tax relief provided in the tax reform proposals. There are several measures to help hundreds of thousands of elderly Canadians. The existing \$500 extra exemption for persons 70 years and over is increased to \$650 and extended to all persons 65 and over. This and the removal of the guaranteed income supplement from taxable income means that all single taxpayers 65 years and over will be exempt on \$2,250 of income.

For the six out of seven Canadian taxpayers who are wage earners there is a new employment expense allowance permitting deductions of up to \$150 a year; a deduction of up to \$500 per child and up to \$2,000 per family for child care expenses and new broad deductions for the expense of moving to a new job. Also, unemployment insurance premiums will be deductible, although the benefits will be made taxable.

There are other changes in personal income taxation. Payments made to a school for the care and training of mentally handicapped persons or disabled persons will now be deductible. While medical expenses paid by a medicare plan will no longer be tax deductible, premiums will be deductible if paid to a non-government medical or hospital plan. The limit on charitable donations is increased to 20 per cent from 10 per cent of a taxpayer's income. Donations to registered national athletic associations are to be deductible.

Two new forms of income averaging are provided and these will be available to large numbers of Canadians. An important measure to encourage savings and to permit