

Income Tax

cent. Fulfilling its function as a redistributor of wealth, the Canadian federal tax could also compensate those least able to cope with current economic problems, with food and fuel credits for Northern residents, for example, and a cost of living tax credit for low income people. This, Mr. Speaker, is not happening, and that is the major problem with which we are faced in Canada today.

I would now like to refer to another very important aspect of our tax system and what it should do. As you know, we are in the middle, or in the depth, of a severe economic recession. Indeed, if you are out of work or have been out of work for any extended period of time, you are not in a recession, you are in a depression. Therefore, we in the New Democratic Party suggest very strongly, and argue very strongly, that a tax system and job creation can be combined, and the tax system or fiscal policy should be used with strength and determination to create jobs, the number one crisis in our country today.

One of the most important instruments for the establishment of priorities in job creation is the nation's tax system. Through the tax system Governments can make clear to investors where they would like to see investment dollars go. At present, there is a hodge-podge of incentive programs in effect to encourage investors to put their money into the economy. The principle of using a tax system to encourage investment is certainly not new. However, even if the principle is well established, the Canadian practice has never included anything resembling a strategy.

Canada needs to have investment streamed into key sectors if long-term job creation is to be achieved. The existing hodge-podge must be abolished. We need to pay special attention to the investment needs of a number of sectors, such as small business, forest products, energy, machinery, construction, manufacturing, transportation equipment, steel, chemicals, electrical products, fishing and, of course, the new and crucial high technology industry. Investments in these sectors during this decade can provide Canada with the economic base for large scale job creation and an internationally competitive economy. Such investment would benefit every region of Canada. The crucial continuing source of capital to meet the needs of these sectors must be the reinvestment of profit made in the Canadian economy. The profits earned by corporations in Canada are the fruits of the labour of all Canadians, not just investors, but those who work in the plants, the forests, or in the mines.

I believe that the federal Government must play a much more creative role in ensuring the reinvestment of these profits where it will do the most good. What I am talking about, Mr. Speaker, is corporate tax reform. We must begin by revamping the corporate tax system, something which Bill C-139 has not done, and something which neither the June 1982 budget nor the November 1981 budget did. The federal Government should put in place a much more attractive system of tax incentive for investment in the crucial sectors I have listed. Such a system should award companies tax points off for such things as research and development, Canadian ownership, the use of Canadian-made machinery, export orientation, effective

job-training programs, and affirmative action in hiring policies. The object of such incentives is to make sure that profits are reinvested where they will create jobs and will contribute to an internationally competitive Canadian economy.

We do not get there, Mr. Speaker, by either ignoring our present corporate tax laws and leaving them on the statute books, as this Bill does, or by allowing more and more foreign money to come into the country to take over more and more control of the manufacturing sector. Because we need investment capital now to create jobs, such a system should not involve a net increase in the total amount of tax paid by corporations in Canada. Neither should it involve a net reduction at a time of very high Government deficit. Therefore, what I propose and what my Party proposes is an increase in the nominal corporate tax rate from the 36 per cent collected by the federal Government to 46 per cent. The additional revenue that would accrue from the increased nominal rate would not end up with the Government. Instead, it would serve as the basis for making possible substantial tax incentives to ensure investment in the key sectors under the conditions I have listed.

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Such a system would reward those who invest in long-term job creation. Such investment would have effects far beyond the sectors singled out. Productivity advances in these fields would provide the economic underpinning for the whole of the economy, in particular the service sector where jobs and incomes depend upon the health of the key productive industries.

While we are speaking of corporate tax reform and fiscal change for the purpose of creating jobs, there is one more point that I should like to mention briefly. It goes with the corporate tax changes I have just suggested. We propose a surtax on upper income individuals which would go directly into job creation. Quite frankly, Mr. Speaker, I really do not think that those whose earned incomes are in excess of \$40,000 per year would fight too much or be much opposed to helping in job creation, provided their extra tax dollars went into proper job creation and not just quick-fix make-work projects.

What we have in mind is not a flat rate for everyone whose earned income is over \$40,000 per year. We propose that if your income is between \$40,000 and \$53,000, you would simply increase your tax by .75 per cent. However, if you earned \$268,000 and upwards, then you would pay \$2,409 more. The rate is graduated.

I see that my time is up, Mr. Speaker. I would have liked to proceed a little further with my remarks on the surtax. The Conservatives have misinterpreted it. We do not propose a flat rate, but a graduated rate. Not everyone who earned \$40,000 plus would have to pay the same amount of added tax.

Hon. E. F. Whelan (Minister of Agriculture): Mr. Speaker, it gives me great pleasure to take part in this debate. The Bill before us today, Bill C-139, is an important Bill that we have all been waiting for since almost this time a year ago. Income