

*The Budget—Mr. Gagliano*

who want to participate. I will entertain a short question from the Hon. Member for Kamloops-Shuswap, and that will be it for this speaker, I regret. Then we will carry on with debate.

**Mr. Riis:** Mr. Speaker, I appreciate the opportunity to ask a very short question of the Hon. Member for Saskatoon East (Mr. Ravis). Today in Question Period, the Hon. Member for Yorkton-Melville (Mr. Nystrom) asked the Minister of Agriculture (Mr. Wise) whether he had fought for the removal of the investment tax credit for farmers, which will result in \$150 million actually being taken away from them? Knowing the concern of the Hon. Member and his interest in farmers, did he support the removal of the investment tax credit for producing farmers?

**Mr. Ravis:** Mr. Speaker, as the Hon. Member for Kamloops-Shuswap (Mr. Riis) knows, I am not part of the Cabinet, therefore I was not consulted on that particular issue. I am sure he fully understands some of the things in the Budget for the agricultural sector, such as commodity based mortgages and assistance to farmers who have their backs against the wall by providing some review of their financial situation. There is no question that things are tough in the agricultural sector, as they are in the small business sector and as they are in the corporate sector. Everyone is having to bear some of the brunt. Those people in the most dire straits will be receiving the most assistance, and I think we are addressing that—

**The Acting Speaker (Mr. Paproski):** I regret to interrupt the Hon. Member but his time has expired.

[*Translation*]

**Mr. Alfonso Gagliano (Saint-Léonard-Anjou):** Mr. Speaker, I would like to take advantage of this opportunity to discuss a Budget that contains the highest tax increases since World War II.

Today, I want to focus on small business. Since September 4, 1984, the Conservative Government's political rhetoric has been that it has done some very important and very significant things for small business.

First of all, I would like to give a short description of small business in Canada. The small business sector is a healthy one. Small business is essential to continued job creation and economic growth in Canada. In fact, it is estimated that this sector has provided 70 per cent of the jobs created in Canada between 1979 and 1980, and practically all the jobs created in Canada, if we extend this to include the recession from 1980 to 1982. Furthermore, Mr. Speaker, at least 90 per cent of our businesses in Canada are small and medium-sized businesses, and they represent over 30 per cent of this country's Gross National Product.

We are often told the Liberals did nothing for small business and did not understand the small businessman. I would like to mention some of the programs set up when the Liberals were in power.

From 1980 until the April Budget in 1983, we took a number of measures aimed at helping the small business sector. I intend to describe some of these programs and measures. We had a program to promote sub-contracting with Canadian businesses (August 1980). The purpose of the program was to give Canadian small businesses better opportunities to bid on subcontracts related to major projects carried out by the federal Government's main suppliers.

The reduced tax rate for small businesses was introduced by a Liberal Government in 1972, but for the first time a Conservative Government narrows the tax rate gap between small and large companies. I will give more details on this later on.

Mr. Speaker, the latest change was made in the November 1981 Budget. The tax deduction was raised from \$150,000 to \$200,000 and the over-all ceiling from \$750,000 to \$1 million. Today still the ceiling is set at \$200,000. Those were Liberal measures for small businessmen.

Acknowledging the great importance of small- and medium-sized businesses, the Hon. Marc Lalonde announced various measures in his last two Budgets. Together the two Budgets of April 1983 and February 1984 provided tax incentives and new expenditures of more than \$2.2 billion in 1984-85, \$1.8 billion in 1985-86, and \$1.4 billion in 1986-87.

I could go on and on, Mr. Speaker. Earlier today my colleague on the other side read letters supportive of the Minister of Finance, so if it were allowed by the Standing Orders we in the Opposition could also read letters, perhaps during a whole week. I have no intention of doing that, so I will deal directly with the proposals contained in the Conservative Budget of February 26, 1986.

First of all, Mr. Speaker, the 3-per-cent inventory allowance deduction has been eliminated. This is a hard blow to small businesses, Mr. Speaker.

Even the small corner store merchant who must keep an inventory worth between \$25,000 and \$30,000 to operate will have a tax loss; on top of that, the 3 per cent inventory allowance is eliminated right now, while the small income tax reduction and the other 3 per cent taxes will apply in April 1987 and January 1, 1987 respectively.

Now, the elimination of salary deferral is another blow for small businesses. What happens when the owners or shareholders start a small business? They often have liquidity problems, especially during the first year, so they take a small salary or no salary at all to help pay their bills and develop their new venture.

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I mention this because, as an accountant, I often had to do this kind of planning. At the end of the year, I had to sit with a small business owner and prepare his first balance sheet. Realizing that his wages were low, he would suggest to give