

*Income Tax Act*

as it spreads through the land—in our farms, our businesses, our industries and our factories. We have built great shining temples as monuments to, and luxurious housing for, the bureaucrats. They are the new high priests of society, and we worship at their altar. If this twilight turns, as it surely will, into the dark night of an unhappy and cheerless life, we can blame none but ourselves. Because we will have built the abyss into which we shall slide, and have constructed the darkness which prevents us from seeing the precipice.

That was a speech that I delivered last Saturday night at the nominating convention for the hon. member for Palliser.

**Mr. Saltsman:** Mr. Chairman, I have been following the debate and can only come to the conclusion that our whole taxation system is in an incredible mess, particularly in the area of corporate taxation. In no section of this bill is there less evidence of any tax reform than in the proposals dealing with corporate income. In fact, we are continuing a system that has been in place for a long, long time, a system which to some extent was unworkable before and will be even more unworkable now. I am interested to note that the opposition finds itself in a position, in respect of taxation changes, to be as critical as ever. I think, by and large, our whole approach to corporate taxation has failed completely, and we should be taking a second look at this situation. During the years in which we have studied our tax system we should have been able to come up with something more successful in respect of corporate taxes. Most of the suggestions of the opposition were thrown away and we now find ourselves back where we were at the beginning. All we have succeeded in doing in respect of corporate taxes has been to shift their impact. Corporate taxes in Canada have actually become sales taxes which are passed on to the customer. There is growing evidence that this is what is happening.

• (5:00 p.m.)

All our attempts to extract income from the larger corporations have met with less than success. If we look at the amount of tax governments are collecting as compared to the amount paid by corporations, we find there is a decline. More and more funds are coming from individuals and less from corporations. Everybody wants to collect money from the corporations, but at every turn of the wheel the corporation has managed to outfox the tax collectors of this country. We must take this fact into account. We are talking about extracting funds from corporations, but it seems the corporations wind up as the winners in that kind of an encounter. We have considerable evidence that present corporation tax acts are insignificant and inefficient. Our corporation tax laws reward the inefficient and penalize the efficient individuals in this country. Corporation tax is collected from companies that make money. We find many corporations which are using valuable resources in this country but are not paying taxes. It seems to me that the world source of resources should be husbanded. Perhaps this idea does not make a great deal of sense. It seems very obvious that we must come up with a taxation proposal a great deal better than the one now under consideration.

[Mr. Baldwin.]

This government seems completely lost as to how to handle corporations. The government has responded to all kinds of pressure, contrary to what my friends in the party to the right have said. The government has not accepted its responsibility. Twice the government has proposed changes in this legislation, and each change has made the legislation worse and less understandable. All we have done has been to make more work for tax lawyers and chartered accountants. Even the professionals do not understand the ramifications of this tax reform as they relate to corporations. There is a lot of headscratching going on among Canadians who are trying to comprehend this bill. Many people are trying to understand how to advise clients about the ramifications of this measure. I wonder whether the government itself understands this bill. The government brought it in and changed it, and when we make adjustments we must try to understand those adjustments as they take place. There is apparently no logic, clearly definable goal or purpose to what is being proposed. In many ways, this tax system goes contrary to our Canadian economy, and I have made reference to this before.

It is important to look at our present aim to see where the changes suggested should occur. The absence of a capital gains tax has probably done more to encourage foreign ownership of Canadian industry than anything else. As a result of this measure, we will have a one-half capital gains tax, which in itself does contain an element of encouragement. For many years we have been in favour of incentives to corporations in the form of dividends, tax credits and other things. In fact, there has been an acceleration in the terms and the amount of foreign ownership in this country. There has been an absolutely miserable policy in respect of corporation tax and our tax system generally to present to Canadian industries. We are now being asked, through the legislation before us, to deal with corporations in a way that will continue the same situation. The present measure no longer continues the 20 per cent tax credit. We are now faced with a 33 per cent tax credit. There is going to be a one-half capital gains tax, but again this will differentiate between one kind of income and another.

This government has been unsuccessful in previous legislation in stopping the sell-out of Canadian industry, and I suggest the legislation now before us will also be ineffective. This is a very serious matter. This country is in danger of losing its entire economy, and I do not think we should encourage a tax system which will contribute to the sell-out of our own industries. We should not exclude foreign ownership from Canada. Foreign ownership can be helpful and there are a number of examples in western Canada which indicate that foreign ownership is advantageous, but we should be selective in this regard. We must exercise some selectivity in respect of applications for foreign ownership and decide which applications might be helpful and which might not. Up to this point we have refused to do so, and we still refuse. Our tax incentives have obviously failed, and our system does not provide the revenue required. To the extent the treasury is depressed, the taxpayers who pay taxes on wages and salaries pay more. The average taxpayer is at the mercy of our tax collector and has little or no opportunity to control the system.