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[*Translation*]

OPPORTUNITIES FOR CANADA

Tax reform is much more than simply fixing what has gone wrong with our tax system.

We have an opportunity to build a new tax system that will be fairer and more progressive.

A tax system that will assist, rather than hinder, our ability to grow and prosper.

A tax system that will complement and support important initiatives that will shape our future.

A tax system that will keep Canada competitive in a freer trade environment, one that is compatible with new approaches the government is planning on child care, and that reinforces other key priorities.

The reform proposals are far-reaching in their scope and impact. They are explained in the documents that I will table tonight. Tomorrow, booklets and pamphlets will be available in most supermarkets and shopping malls across the country. I would urge Hon. Members and all Canadians to study the tax reform package carefully.

The proposals have benefited from ideas, suggestions and recommendations from many people and groups across the country and from members of this House. I have also had constructive consultations with provincial ministers of finance.

This package reflects these consultations. It reflects basic principles of good and fair taxation, and in a way that recognizes Canadian reality and Canadians' priorities.

[*English*]

The proposals will be implemented in two stages. Income tax changes will take effect beginning in the 1988 taxation year. In the second stage, the existing sales tax will be replaced by a new sales tax system. The existing sales tax has long been recognized as unfair to Canadian industry, workers and consumers. The new sales tax will be linked to the personal income tax through an enhanced sales tax credit to improve the fairness of the tax system.

● (2010)

I want to emphasize that the reform proposals I will table tonight are a package.

They work together in a consistent, comprehensive way.

They strike a responsible balance among the many objectives that our tax system must serve in addition to raising revenues: objectives such as targeting assistance to those who need it most, promoting regional equality and encouraging greater investment in Canada's future.

Some will argue that the government should have wiped out more tax incentives. But I am not prepared to abandon key

national and regional priorities. The incentives that will remain in the system are there for good reasons.

Others will argue for retention of some of the tax breaks being eliminated. But let us not forget that they are asking for special tax breaks for some which mean higher taxes for many others.

Our reforms are designed to be neither a revenue grab nor a windfall. On balance, the reformed system will raise about the same revenue as the current system.

But, by shifting more of the tax burden from individuals to corporations, and by lowering rates and removing preferences, the reforms make fundamental changes in who pays and how much.

Those who have made extensive use of tax preferences will pay more tax. Many corporations and some individuals will pay more. Most individuals and some businesses will pay less. Corporations will carry a bigger share of the total tax load. Sales tax revenues will be increased.

Canadians want personal income taxes to be lower. They will be. We will have both lower rates and a fairer system.

PERSONAL INCOME TAX REFORM

Federal personal income taxes will be reduced by about \$2 billion in 1988 and more than \$11 billion over the next five years.

Most Canadians will pay lower taxes because of two far-reaching changes: a new structure of federal income tax rates and the conversion of exemptions and deductions to tax credits.

Currently there are 10 rates of federal income tax, rising with income to a top rate of 34 per cent. Beginning in 1988, there will be only three rates: 17 per cent on the first \$27,500 of taxable income, 26 per cent on the next \$27,500 and 29 per cent on taxable income over \$55,000.

Despite having only three tax brackets, the personal income tax system will be more progressive.

The key to making the system more progressive is the conversion of exemptions and deductions to tax credits. This will completely eliminate federal income tax for 850,000 Canadians, 250,000 of whom are senior citizens. Let me explain how credits make this happen.

If the Government were to introduce a program to help the elderly or the disabled, and if the program were set up so that richer people got a bigger payment than poorer people, most Canadians would think that was unfair. And they would be right.

But, that is exactly what our current system of exemptions does.

For example, we now have a deduction of \$2,670 for Canadians 65 and over. For a senior citizen with \$15,000 of income, this is worth about \$455 in lower taxes. For another