

Charitable Donations

to a tax credit system for charitable donations, the credit rate would have to be at a lesser level.

I should like to discuss, however, the relative merits of the two approaches—a tax credit and deductions from income. In practice, one obvious difference between the two results from the existing structure of progressive rates of income tax which increase with higher income groups. With a tax credit, all donors regardless of income level would get back the same proportion of their charitable givings as a credit. With deductions from income, the effective incentive for charitable giving is higher the higher the donor's marginal tax rate. If equity in the tax system is the overriding consideration, the principle of a tax credit would therefore seem to be the choice.

There are some things to be said, however, for the existing system of deducting charitable donations from income. The progressive structure of tax rates means that the incentive for charitable giving is strongest at higher income levels. And since a major function of charity in our society is to redistribute income from the better-off to those who are less well-off, we should recognize that the existing approach of deductions does have a secondary effect of redistributing income.

We should also realize that our existing income tax system represents a combination of both a progressive structure of tax rates and deductions. Successive Parliaments have attempted to mesh these two factors together to produce a fair and workable tax system. I suggest that any significant shift away from a deduction system toward a tax credit system will require a reconsideration of the progressive rate schedule to determine whether it is appropriate to a tax credit system, or whether the existing over-all distribution of tax liabilities is fair and equitable to all taxpayers. If a switch from the deduction system to a credit does result in additional tax burdens on middle and higher income taxpayers, it may well be necessary to offset this by readjusting the schedule of tax rates.

In view of the support which this motion gives to the tax credit idea, it is somewhat difficult to understand why it suggests keeping the existing deduction system as an alternative approach. As an option it would be preferable only for taxpayers at the upper end of the income scale, whose marginal tax rates exceed the rate of tax credit. Perhaps the sponsor of the motion had in mind the desirability of attracting larger charitable donations from such taxpayers. We should also consider, however, the increased complexity that would result in income tax returns from presenting optional tax treatment for charitable giving, and the fact that it would be a real option only for the well to do.

● (1730)

In considering government incentives for charitable donations, we need not limit our options to the tax system. There are feasible approaches that involve the expenditure side of the budget rather than the revenue side. One such approach could link government grants to a registered charity to the amount of donations which the charity receives. For example, a \$100 gift

to a registered charity would mean a federal grant to the same charity of, say, \$25. This would involve some substantial changes in the way we now proceed. The government would be dealing directly with the charitable organization rather than with the taxpayer donor through the income tax return.

Of course, the books of the charity would have to be audited. It would change the way in which donors viewed their gift. Instead of calculating how much it would mean in the way of a tax deduction, they would know that every dollar donated would be augmented by a government grant. This sort of approach need not cost more than the existing tax incentives and would meet, to a large extent, the objectives of national voluntary organizations.

Some hon. Members: Hear, hear!

Hon. Walter Baker (Nepean-Carleton): Mr. Speaker, I rise in support of the motion put forward by the hon. member for Edmonton South (Mr. Roche). I listened with great interest to the speech of the Parliamentary Secretary to the Deputy Prime Minister and Minister of Finance (Mr. Evans). Of course he is absolutely right that any change in the tax system would require consideration, to use his words, on a whole range of subjects. I was disappointed that he did not do it, but I thought for a moment he was about to say that the government would be prepared to support an amended motion if it had not been placed in the alternative. Because he complained that the motion was split in two, I thought he would tell us that the government would consider the motion if it read as follows:

—the government should consider the advisability of amending the Income Tax Act in order to give individual taxpayers the option of claiming charitable gifts as deductions from taxable income.

That would have been a great step forward and fully within the intent of the hon. member who has given the House this opportunity to discuss such an important matter. I believe the hon. member in the consideration of this motion was attempting to allow the government a choice of options, either of which would be acceptable to the hon. member. Certainly I am disappointed that the government saw fit not to indicate its choice clearly, so that at long last in terms of a tax system we could take the necessary step forward which was advocated by officials within the government to permit growth and versatility in the private voluntary sector to make its impact felt even more in the Canadian community.

I do not want to be partisan—we were partisan a little earlier today—but I cannot fail to remind the hon. member that the costs of which he was complaining, the cost of \$500 million, are not large in terms of a whole range of matters that are under the control of the government. Even today those matters could make room available within the tax system to the voluntary sector.

Because the parliamentary secretary is still in the House, I will remind him of a couple of things. I cannot help but recall the question period in the House in which we discussed the movement of Eldorado from Port Hope to northern Ontario contrary to the advice of the board of directors of Eldorado.