

*Income Tax Act*

tage of it. However, because these incentives are well known, they are bound to be criticized by the public who, too often, fail to understand their objectives. Once established, the incentives are rigorously controlled to ensure that they are used legitimately. Whenever there is abuse, the Minister of National Revenue requires that the proper legislative amendments be made. Such a regulating or tuning mechanism, if you will, may be applied over the years, and minor changes made until the desired results are achieved.

The deduction granted small businesses has, among other things, been adjusted that way. The reduced rate applies to the income of actively operated businesses, and is intended to encourage their development and the updating of their technology through the tax savings achieved. That reduction was granted because small businesses at times find it difficult to borrow in the money market and obtain the funds they need to expand. However, there have been cases where it applied to individuals not operating businesses actively.

The department also takes steps to ensure that the tax system is applied fairly. For instance, it is easy for them to check the salaries of employees, for instance, through salary deductions and information supplied by employers.

To ensure that independent workers, small businesses and corporations pay their fair share of taxes, the department carries out tax audits. For that purpose, computers print out a list of taxpayers who draw income from a source other than salaries or wages and break them down into two categories: first, corporations, namely, wholesalers and manufacturers; second, private individuals, namely, professionals, business owners and farmers.

The lists are used to select files for audit purposes, a process which may involve industry as a whole or a given group of taxpayers. Such audits have already been carried out in the scrap iron industry, the clothing industry, the tourist industry and the pharmaceutical products industry. Indeed, this last project has yet to be completed. As a result of audits in the scrap iron industry, 94 court proceedings were launched and \$17 million in taxes were recouped.

Obviously the tax system has different objectives when it comes to collecting from individuals and businesses.

In the case of individuals its main purpose is to ensure social justice for all, whereas the objective is much wider for businesses since it is to strive for greater economic security for all Canadians. That is why a comparison of the tax load shouldered by individuals and companies must go beyond what is reflected by the figures. I have the figures here but they apply only to taxable income. In 1978 corporations paid \$6.5 billion in taxes on a taxable income of \$19.6 billion, an average tax rate of 33.4 per cent. Small business owners paid \$616 million in taxes on \$3 billion in income, that is a rate of 20.3 per cent, and the employees paid \$16 billion in taxes on taxable incomes of \$79.7 billion, a rate of 21.2 per cent. Still we should not forget that many other factors must be taken into account in

this comparison, among others the number of taxpayers in each category, which is quite significant: there are about 9,568,000 employees, close to 600,000 business owners and professionals, and 441,000 corporations. The legislative measures contained in Bill C-54 were the object of a close examination which took into account the main objective of our tax system. That is the best protection possible for the rights of all Canadians.

These measures are designed to create a balance between the rights of the individuals and the business incentives which are sometimes necessary. Earlier in the year the Liberal government released the draft of many of the amendments contained in this bill in order to gather the opinions of the taxpayers before introducing the actual legislation. Bill C-54 takes these suggestions into account, some of which had even been introduced by the previous government in December 1979. They were among other things, measures allowing people running unincorporated businesses to deduct wages paid to their spouses, and interim provisions with regard to the Small Business Development Bonds enabling them to obtain financial aid at lower interest rates in order to compensate for revenue losses incurred because of these measures and to help finance the increases anticipated in other areas. A 5 per cent surtax on top of the federal tax payable by corporations has been introduced for a two-year period. Furthermore, the bill contains tax relief provisions for volunteer firemen and for employees working on temporary assignments abroad, as well as for other cases where there is income tax related to family law provisions.

This bill also contains measures proposed in the October 28 budget for individuals and businesses, including provisions aimed at improving regional incentives in areas of high unemployment and low incomes. It also contains a great many technical changes which take into account constructive comments made by businessmen and tax experts as well as various readjustments regarding the implementation process which I discussed earlier. So Bill C-54 has been devised as a way to help Canadians of all walks of life through our taxation system. We are therefore presenting this bill for second reading hoping that after having heard the various speeches and thought things over, hon. members will give it the approval it deserves.

● (1730)

[English]

**Mr. G. M. Gurbin (Bruce-Grey):** Mr. Speaker, I welcome the opportunity to join in the debate on Bill C-54, an act to amend the statute law relating to income tax. On January 16 the Minister of Finance (Mr. MacEachen) issued a press release relating to this act. There were several things in that release that I should like to refer to briefly.

The first is that the minister, when speaking about Canada's economy, said that we are in a period when we, like other national economies, are facing a very difficult situation. If the