

Private Members' Business

low-income Canadians, do not have to pay any income tax? That line would be somewhere between the poverty line and the low income cut-off. Would that not reduce the pressure on our social programs? Would that not be a more efficient way of helping the people who need the help, rather than tinkering with the Income Tax Act, adding five more pages of definitions and rulings and three more reasons why auditors have to check every bank account, as the hon. member said earlier?

We have to look at tax reform. Tax lawyers are afraid to return from holidays to read the latest communiqués from Revenue Canada with the new rulings and definitions.

The current system is a disincentive to work. The more a person makes the higher the percentage they have to remit. They call that progressivity, but at a certain point they stop working for the government. Why? They see that government wastes money. If the government were spending the money on programs Canadians want and not what bureaucrats and politicians want, and if people could see their tax money being spent fairly and wisely, in a way that was responsible and accountable, in a clear and visible fashion, we would have more compliance. More people would pay. With a single rate everybody would know they are paying the same rate over a certain base that is tax free.

• (1820)

It costs us \$12 billion to send in our income tax. The personal portion we pay other people to do this for us costs \$3.7 billion. Revenue Canada is \$1.5 billion. The government cost for GST is \$0.6 billion. Corporate costs to do the T4s and their corporate tax is \$4.9 billion. The GST industry costs \$1.7 billion.

It is clear that our current system is unfair, unclear, and unacceptable. There is no reason we should keep up with it and there is no reason we should continue to promote ways and means of adding more to the confusion of the income tax. We should be cleaning it up, simplifying it, rewriting it.

We have had three major tax reforms since 1971. We went from 18 different brackets and a high marginal rate of 80 per cent in 1971 to 10 brackets and 43 per cent in 1981, to today, from 1988 until now, three brackets with a high marginal rate of 29 per cent. When each of those transitions and reforms went from 80 per cent down to 29 per cent it meant more revenue to the government.

Lower taxes mean more revenue. Simplicity means more revenue. Therefore we need one more major tax reform in this country, one more simplified tax featuring a single rate with a generous tax free portion that will look after the lower income and retain progressivity. It will introduce fairness. Everybody will know what they are paying. Reduce the rate to the area of 20 to 22 per cent, another 7 per cent reduction, and a single rate. I

would argue that would generate even more revenue for the government.

Some of the other principles we should keep in tax reform are keeping it simple and understandable and defining the purpose as raising money. Tax reform is not to add another element that the first \$1,000 you make in savings accounts is free because we are helping this sector; not to help the farming sector by giving this deduction over here; not to develop oil and gas by offering flow-through shares over here; not to help this by doing that over there; not to help charitable organizations by allowing generous exemptions over here; not to aid and facilitate seniors by having some moneys there.

The Liberals are neglecting their responsibility to the public in giving lip service to tax reform. They are not prepared to look at genuine comprehensive tax reform in this country. The Reform Party is and will. We will continue to address this issue.

Mr. John Maloney (Erie, Lib.): Madam Speaker, I wish to rise today in the House to speak on Motion No. 497. I would like to congratulate my hon. colleague from Bramalea—Gore—Malton for his hard work in getting this motion to the floor of the House of Commons.

Motion No. 497 reads:

That, in the opinion of this House, the government should amend the Income Tax Act to eliminate the payment of personal income tax on interest from personal savings accounts when the amount of interest is \$1,000 or less.

Federal taxes on foreign and domestic income received by Canadians and Canadian income received by non-residents are imposed under one statute, the Income Tax Act. The net income or profit received by Canadians is defined by that act.

Personal income taxes are imposed by both the federal and provincial governments. The federal government has agreements with all provinces except Quebec to collect personal income taxes on their behalf.

The federal government defines taxable income in the Income Tax Act and levies its personal income tax according to the rate schedule in the act. The agreeing provinces then levy their personal income taxes as a percentage of the basic federal tax.

In the last decade, the number of taxpayers has jumped from 10.4 million to 13.7 million. In 1988 there was a sharp drop in taxpayers due to the first year of the tax reform. Under it, a significant number of low income taxpayers were granted tax relief. Another decline in the number of taxpayers took place in 1991 and was caused by the recession of the early 1990s.

Between 1974 and 1988 the first \$1,000 of interest income was exempt. The exemption was introduced in 1974 as a way of counteracting the impact of inflation on the taxation of interest. It was also argued that the exemption reduced some tax evasion, as those with small amounts of bank interest no longer had