

*Income Tax Act*

to make a few points for the consideration of hon. members on both sides of the House.

It is obvious to me that this legislation—in fact, the whole concept of the provisions with which we are dealing this afternoon—is the product of academics and theorists who have very little experience with, or knowledge of, the day to day workings of a small business, its ups and downs, the vagaries of the country's economy both internationally and nationally, the whims of the weather, and the responsibility one has of meeting one's commitments, discharging his various obligations and meeting the weekly payroll, while at the same time attempting to eke out a reasonable living for oneself. I am sure the drafters of this bill have never had to deal with their bankers, friendly or otherwise, in order to meet the day to day expenses of operating a business or the meeting of overdrafts. I happen to be in the automobile business and have to deal with trade-ins, accounts receivable and all the ramifications which come forth in such an operation. There is no provision whatever in the bill that appears to me to be an incentive to small business.

I should like to ask the spokesman on that side of the House how in the name of heaven he can suggest that this proposal is an incentive to small business, as is suggested in the summary of the 1971 tax reform legislation. In the competition bill—we do not know whether it is still in the House or out of the House; right now, I suppose it is in a state of limbo—there are some guidelines or criteria established for what we refer to as misleading advertising. If an intelligent man found an advertisement misleading, that would constitute a contravention of the bill. I would certainly suggest that after reading page 37 of the Tax Reform Summary one could very easily be misled into believing that this bill is the salvation of small businesses. Unfortunately, it is not. Those responsible for drafting this legislation are also responsible for proposing the wholesale extinction of small businesses in this country. We only have to face the reality of the business climate of this country to know how uncertain the existence of small business is in Canada.

• (3:40 p.m.)

In my part of the country, about 35 per cent of the economy is in the form of small business enterprises. The business climate in this country is very uncertain at this stage. We have pressures on the international economy which not only affects small businesses but large businesses as well. We know that bankruptcies are at a 10-year high. Businesses, particularly in my part of the country, have to rely to a large degree on the ups and downs of the agricultural industry, and that industry is affected in a very disastrous way. In other words, this is a period of gloom and doom for the people in that industry.

We see the proposal is that in 1976 corporation incomes of \$50,000 or more will be taxed on the basis of 46 per cent rather than 50 per cent, which is a reduction of 4 per cent. At the same time, small business corporation taxes will be increased from 21 to 25 per cent, which is an increase of 4 per cent. I know there are ramifications in respect of the distribution of dividends and what not, but that is another of the complexities of this bill I want to discuss. Many rational observers of the tax reform bill, including the members of the legal profession, have advanced major

[Mr. Mazankowski.]

criticisms in respect of this area of the tax reform legislation which affects small businesses. Certainly, it is in this area that the private entrepreneurs have difficulty in affording the required expertise of professionals to file their tax returns in such a way that they may derive the greatest benefit from the provisions of the law.

Certainly, nowhere in this tax bill do I see any incentive for small businesses. Let us look for a moment at the number of corporations this bill affects. The *Guardian* issue of 1970 provides some very interesting statistics in this regard. Based on 1967 tax returns, some 88 per cent of firms operating in Canada, filing Canadian tax returns, reported income below \$35,000. These proposals strike at the very heart of business in this country. A total of 81,366 firms of the 92,239 for which data was on file, fall into this category. If we are to stifle that massive part of the business economy of this country, certainly we are going to lead ourselves into wholesale unemployment, worse than we have today.

People in this type of business are providing jobs. They are certainly working more than eight hours a day. As a matter of fact, as a result of government regulations we find they are working perhaps 15 or 16 hours a day, eight hours in production and another eight hours in order to abide by the rules and regulations prescribed by the government. If we continue to work in the direction of destroying the initiative of small corporations, we are going to aggravate the economic situation in this country beyond all possible cure. Instead of increasing the tax on small business corporations, we should decrease it.

It is my belief it is in the area of small business that we have the most effective and efficient operation, the best innovations which have provided new jobs and the development of facilities we would not otherwise have. I recall the formation of the Versatile Manufacturing Corporation which started out as a one-man operation. It was a small business in the city of Winnipeg. It grew to the point where it is now a large exporter of Canadian machinery products. This corporation has served a very useful and viable purpose, to the advantage of the agricultural community of Canada. It has become the exporter of a great deal of machinery to the United States. This corporation started as a one-man operation. He joined forces with another and they developed a system of hydraulic engineering service for combines. This, in turn led, to the development of grain augurs and swathers. Today, this company produces a great deal of farm machinery. It is a wonderful Canadian organization and I should like to see more of the same type. I believe more operations of this type could be encouraged by government incentive, combined with the expertise and ambition of the type possessed by Mr. Robinson of the Versatile Corporation.

In passing, I might suggest that one-third of the small businesses with an income of less than \$35,000 per year exist in western Canada, but over the past few years they have experienced a very difficult time. We only have to look at the report of the Barber commission on farm machinery to understand the situation. We find there is one area, that of the dealer distribution of farm machinery, that is not out of line in respect of price increases in this country. It was made abundantly clear that farm machinery dealers were discounting their sales to the extent of 15 per cent in order to remain competitive,