

position to encourage that course of action for veterans. Therefore, in that sense, may be the proposal comes too late. In another sense, I think that it may be less appropriate today because this Government, in particular this Minister of Finance (Mr. Wilson), will announce to Canadians new proposals for a major tax reform, the most extensive one since 1971 and maybe since 1917, when the general tax legislation was passed.

Mr. Speaker, maybe this is why one should wonder whether it is advisable to act immediately on the proposal of the Hon. Member for Hull—Aylmer. I reflect on the meaning of his proposal considering the two aspects of the Government's role. The first duty of a Government is to collect taxes to finance state expenditures in terms of goods and services. At present, that financing costs \$116 billion to Canadians. From that amount, this Government allocates \$57 billion to the protection of disadvantaged people and to bring their standard of living more in line with that of Canadians in general. Fifty-seven billion dollars in our budget are already allocated to the underprivileged, and the Hon. Member for Hull—Aylmer would recommend that the money allocated to those people be increased through tax expenses. You have to have money to be able to redistribute it to Canadians, and tax expenditures are a loss of revenues for our Government, they already amount to \$35 billion a year. So, I do not feel it is appropriate to increase those tax expenditures by such an amount, to increase them by \$35 billion.

There is also the fact that the tax system applies to all Canadians and must be fair. Most of the benefits paid to veterans are tax free. This is already a tax assistance which is given to them and which nevertheless protects the integrity of the tax system. It is directly related to payments made in consideration of military service.

Moreover, veterans benefit from other programs and tax breaks like the old age deduction, that is \$2,640 in 1987 for those 65 years old and over. There is also the deduction for disabled people, that is \$2,890 in 1987, which is now available to a larger number of taxpayers, a deduction for medical costs including the cost of a nursing home insofar as the costs exceed 3 per cent of the net income.

Finally, the pension income deduction: a maximum of \$1,000 on payments received from private retirement funds.

Deductions in the calculation of taxable income benefit high income taxpayers, which might not be the purpose of the motion moved by the Hon. Member for Hull—Aylmer, while they put low income taxpayers at a disadvantage. The tax reform we will announce officially tonight at eight o'clock proposes to change those deductions into tax credits. Any increase in a deduction aimed at lowering taxable income, Mr. Speaker, favours Canadian men and women in the higher tax brackets. Any tax credit that is granted favour Canadian men and women who pay little in taxes. That is why our tax reform

will recommend tax credits. The most destitute veterans, whom we take for granted the motion seeks to help, will effectively benefit from measures that will be put forward tonight at eight o'clock.

The adoption of a special deduction for veterans would make our tax legislation even more complex than it is and you know our Government is trying in every way it can to demystify and simplify the whole legislative process in effect in Canada, including the tax legislation process.

So the Hon. Member for Hull—Aylmer's motion would make the tax legislation even more complex than it is, since it would require that several provisions be drafted to single out eligible taxpayers.

Finally, if such a deduction were to be granted to veterans without regard to their needs and their ability to pay, the government would probably be flooded with claims from groups as much entitled to a similar deduction as the veterans. That would result in a significant erosion of the tax base and a weakened personal income tax system.

As you know, Mr. Speaker, such a reduction of our revenues is altogether contrary to our need to balance the expenditures and revenues of this country. We have been trying to achieve such a balance since 1984. When we came to power, the annual deficit amounted to \$38 billion and, according to the technocrats of the day and depending on the way government's planned legislation was being interpreted, it was estimated then that the deficit would reach \$40 billion, or \$45 billion or even \$50 billion a year. Since we came to power and as we want to balance revenues with expenditures, we decided to reduce the deficit year after year and we must keep that objective in mind while addressing the proposal of the Hon. Member for Hull—Aylmer. Moreover, given the fiscal reform to be announced tonight, I suggest the motion is premature.

• (1900)

[English]

Mr. John A. MacDougall (Timiskaming): Mr. Speaker, I would like to start by congratulating the Minister of Veterans Affairs (Mr. Hees) for the superb job that he has been doing. The 11 Legions in my riding of Timiskaming certainly respect the job that he has done for them.

I would like to review some of the comments made in regard to further tax treatment for veterans. A couple of the areas which we would like to look at include the disability deduction of over \$2,890 which is now available to a large segment of the population. Along with that deduction in respect of medical expenses, nursing care—

Mr. Deputy Speaker: I regret to interrupt the Hon. Member but the hour provided for the consideration of Private Members' Business has now expired. Pursuant to Standing Order 42(1) the order is dropped from the Order Paper.