

Income Tax Act

POINT OF ORDER

CLARIFICATION OF QUESTION PERIOD ANSWER

Right Hon. Joe Clark (Secretary of State for External Affairs): Mr. Speaker, so that the record can be clear, I referred in an answer in the House to a multitude of ways, four ways, by which there could be access to the North Pole. One of those is American, one is Canadian, and two are by way of international waters.

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BUSINESS OF THE HOUSE

Hon. Don Mazankowski (Deputy Prime Minister and President of the Privy Council): Mr. Speaker, with respect to Bill C-23, there have been discussions with representatives of both opposition Parties and I think there would be a disposition to have the reference of this Bill made to the Standing committee rather than the legislative committee.

Mr. Speaker: Is that agreed?

Some Hon. Members: Agreed.

Mr. Speaker: So ordered.

GOVERNMENT ORDERS

[Translation]

INCOME TAX ACT

MEASURE TO AMEND

Hon. Michael Wilson (Minister of Finance) moved that Bill C-23, an Act to amend the Income Tax Act and a related Act, be read the second time and referred to the Standing Committee on Finance and Economic Affairs.

Mr. Pierre H. Vincent (Parliamentary Secretary to Minister of Finance): Mr. Speaker, I welcome this opportunity to take part in the debate on Bill C-23 which concerns amendments to the Income Tax Act. Mr. Speaker, as you know, this Bill follows consultations that started before the Budget was brought down in February 1986 and continued subsequently, until tabling of the Notice of Ways and Means on October 31 of this year. Wide-ranging consultations were held with Canadian taxpayers, experts in the field and representatives from all sectors in this country. The proposed legislation which, as I said before, follows the February Budget, is in line with the philosophy outlined by the Minister of Finance (Mr. Wilson) in his agenda for economic renewal.

Mr. Speaker, I shall, if I may, recall the four major challenges identified by the Minister of Finance at that time. First, we must control our budgetary deficit. Second, we must stimulate business by adopting policies that foster higher investment, greater innovations, increase international

competitiveness and a positive climate for the birth and growth of new enterprise. Third, Madam Speaker, we must provide for greater efficiency in Government operations so that they become less of an obstacle to achievement in the private sector. Fourth, we must bring about these changes in a way that is fair, open, and consistent with the basic sense of compassion, tolerance and justice that is characteristic of Canadian society.

Madam Speaker, I think Bill C-23 reflects these four challenges in a body of legislation that is of primary importance to all Canadians. This is a major Bill, although its concepts are not new. The House will recall that on May 23, 1985, the Minister of Finance tabled in the House a paper entitled: "The Corporate Income Tax System, A Direction for Change." After consultations were held, these changes were included in the February 1986 Budget. The result was that the corporate tax system was improved by abolishing the tax incentives enjoyed by certain companies and, at the same time, reducing the overall corporate tax rate. I believe that although we reduced the number of tax shelters, this was more than compensated for by the fact that we managed to reduce the corporate tax rate for all companies and corporations in Canada.

Indeed, Bill C-23 contains some important changes. Investment tax credits from 10 to 7 per cent will be gradually phased out by the end of 1988. The 3 per cent deduction with respect to inventory has been eliminated as of February 26, 1986. Corporate income tax rates will decline appreciably over the next three years. The small business tax rate will decrease from 15 to 13 per cent. The small manufacturing company tax rate will go down to 8 per cent. The tax rate of major corporations will be reduced from 36 to 33 per cent. Finally the major manufacturing company tax rate will be cut down to 26 per cent. All these changes reflect our desire to make the income tax legislation simpler as well as fairer to all Canadian taxpayers.

Another aspect of the same Budget which can be noted in Bill C-23 is that we want to give a better treatment to Canadian taxpayers. As you may recall, Madam Speaker, we introduced the minimum individual tax rate effective January 1 this year, a measure which was praised even by the Leader of the New Democratic Party. Unfortunately, as usual the Liberals had nothing but criticism for this initiative. But it is an important step towards a fairer tax system for all Canadians.

Through Bill C-23 we will implement the new at-risk rules in the case of limited partnerships, as well as the rules governing the use of tax credit by trust companies so that Canadian investors will no longer be able to take undue advantage of the tax system and make much bigger profits than their investments would warrant in the first place.

Once again, the aim of this measure is to ensure fairness or tax justice.