

Adjournment Debate

[English]

The federal government is now studying the advice of the panel and will prepare a response to the panel's recommendations. It will be made public on completion.

ROYAL BANK OF CANADA

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, I am pleased to have a chance this afternoon to speak about the tax system and in particular how it affects banks in Canada. I want to lead off first of all with a comment from the "Budget in Brief" or the budget itself.

I remember the Minister of Finance in his speech talked about the fact that the government was going to get tough. It was going to close off some loopholes. For example, the large corporation tax rate was going to increase by 12.5 per cent. I remember my friends on the Liberal benches were cheering at that point. There was a lot of applauding and actually a couple of half-effort standing ovations.

This was a 12 per cent increase of the large corporation tax rate. The tax rate of large corporations will rise from 0.2 per cent to 0.22 per cent. Granted that is 12 per cent but it is a tax going from 0.2 per cent to 0.22 per cent. Anyone who knows anything about mathematics would say this is infinitesimal and yet technically it is an increase. My gosh, we are hardly getting tough when the tax rate goes from 0.2 to 0.22. Yet that is the kind of impression the government left, that it had gone to all kinds of trouble to close loopholes.

I am prepared to say this afternoon that the government did not close any loopholes. Even the old family trust, the one that is favoured and is considered the mother of all tax loopholes, is still there. Basically it was just tinkered with and that privilege will continue.

Let us talk about the Royal Bank. If there is one corporate sector that is held up it is the banking sector. I want to challenge people opposite and perhaps anyone watching to take a look at the annual report of the Royal Bank of Canada for 1993. When looking through this report, and granted I am not an accountant or a tax lawyer, but I have read a lot of annual reports and financial statements, to me it says the bank does not pay income tax. Page after page says basically that.

When I spoke with the bank I was told that is not technically correct. It actually pays tax. I have got to say today that the Royal Bank does pay some tax. The Royal Bank pays all the usual taxes that corporations pay but we have to realize that the Royal Bank is included in a number of subsidiaries. When we add up all of the subsidiaries which include things like Royal Bank Mortgage Corporation, RBC Dominion Securities Limited, Royal Trust, the Royal Bank Canada (Barbados) Limited, the Voyageur Insurance Company and many more—the consolidated umbrella of all of the aspects of the Royal Bank—it does

pay income tax. As a matter of fact, it paid about \$509 million in 1992.

However, what we would call a bank that we go into with tellers where we get a mortgage, a car loan or whatever, actually lost money. Therefore, in spite of all of its fees and so on, it did not pay income tax. It did pay a minimum corporate tax and did pay the corporation tax of 0.2 per cent which the government has now raised to 0.22 per cent. While the bank, including all of its subsidiary operations did pay income tax, for clarification the Royal Bank per se, unconsolidated, did not pay income tax. Therein lies the difference.

Did the budget change any of that? No, it did not. As a matter of fact, the budget changed very little of our tax system. I would be remiss this afternoon not to say that the large share of our accumulated debt—more than 45 per cent—comes from all of the tax loopholes we have in the system. That is what has caused a lot of our debt. Yet the government did not take any steps in any substantive way to close these loopholes.

I would be interested to hear what my hon. friend has to say in terms of whether the Royal Bank has paid income tax or not. Remember—

The Deputy Speaker: The hon. Parliamentary Secretary to the Minister of Finance.

[Translation]

Mr. David Walker (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, several banks reported record profits in 1994. This has led observers to wonder whether the banks are paying their fair share of taxes.

Banks pay a considerable amount of taxes. They pay income tax and are subject to two federal capital taxes, including the large corporation tax which applies to all corporations with more than \$10 million in capital, and the capital tax for large financial institutions which acts as a minimum tax.

During the period 1991–93, the six largest banks and their mortgage loan affiliates paid nearly \$1 billion annually in federal income tax and capital tax. The banks also pay income tax, capital tax, property tax and other types of taxes to provinces and municipalities.

Members are probably aware of measures that were introduced in the last two budgets to ensure that banks, and financial institutions generally, continue to pay their fair share of taxes. This year's budget introduced a special tax on the capital of large deposit institutions, including banks.

[English]

The Deputy Speaker: Under our rules the motion to adjourn the House is deemed to have been adopted. Accordingly, the House stands adjourned until 10 a.m. tomorrow.

(The House adjourned at 6.53 p.m.)