

Income Tax Act

Mr. Hees: That's not bad, Stan.

Mr. Knowles (Winnipeg North Centre):—we prefer the system of tax credits. I may in passing allude to some of the other matters I referred to earlier. I mentioned the matter of giving something to workers for their employment expenses. This would be better covered by a tax credit than a \$150 exemption. The same applies to child care expenses, and so on. In the case of income tax, rather than a higher exemption level, which would give a bonanza to those at the top, we would like to see—I hope I am not talking so loudly Your Honour cannot hear what other hon. members are saying. We feel that instead of raising exemption levels it would be better to provide as much as possible by way of tax credits to those in the lower brackets.

• (5:40 p.m.)

As Your Honour is aware, when we were in committee of the whole on clause 1, I moved that certain changes be made in section 117(1). The amendment I moved on November 1 was accepted by the Chair as procedurally in order and it was put to a vote on November 2. Quite a few members were present. The vote was 64 to 42 against my amendment. But one would hope that with the ringing of the bells there would be a larger attendance than that, and since this is such an important issue we are sure that members would like to have their names on record in *Hansard*. That is one reason for my making my motion again at third reading. Do they stand for doing nothing better than in 1933, or in the late twenties, or do they want to take some action which really begins to improve the position of the low income people of this country?

The amendment I propose to move in a moment or two would affect the rate of taxation which applies to the first \$500 of taxable income. The tax would be reduced from 17 per cent to 2 per cent. Then something else would be done which is consequential in nature. The result would be that on the first \$500 of taxable income the taxpayer would pay only 2 per cent, which is \$10, instead of the present \$85. This would mean that a single person whose income is \$2,000 would pay only \$10.

Mr. Langlois: That is terrible. A whole \$10! Why not nothing?

Mr. Knowles (Winnipeg North Centre): That is typical of the Liberals. They are charging these people \$85. They know that under the rules we cannot move to wipe the charge out altogether. We can only reduce it so they think it is a big joke when we suggest that these people pay only \$10. I say that is typical of their attitude toward low income people. They have no sympathies, no heart.

Some hon. Members: Hear, hear!

Mr. Knowles (Winnipeg North Centre): At the same time, my amendment would reduce the tax paid by those in each of the other brackets, all the way up to the top, by the same amount, that is, by \$75. In other words, the saving through my amendment to the millionaire would be precisely the same, \$75, as it would be to the person in the first income bracket. That is the way a tax credit works as opposed to the exemption level system. The exemption level system gives more to those at the top and

little or nothing to those at the bottom. The same would happen if we used the tax credit system for child care costs, and so on.

My amendment, Mr. Speaker, would thus do two things. On the one hand it would improve the situation of the low income people. It would for all practical purposes put the exemption level at \$2,000 for a single person which is the least it ought to be today. The other thing would be to introduce the tax credit system as a means of improving our tax law. The government knows the tax credit system is workable. It does it for those who receive dividends from Canadian corporations. There is no problem there.

I say to the credit of the Minister of Finance—and I have to give him credit once in a while—that in one of the clauses of the bill which is so close to the back that we never got anywhere near it there is a provision saying that in this year, 1971, people whose taxable income is \$500 or less will pay no income tax. So he has provided what in effect is a tax credit. If a single person had an income above \$1,000 in the year 1971, then by the rules in the book he would be called upon to pay a tax on the first \$500 above that level. But the provision in this particular case would wipe out that obligation altogether. So the minister knows it can be done; he knows the technique. In this case he is doing it because it is the only way to solve a problem, and it applies only once, to the year 1971. But the principle is so good, so fair, that it ought to be started on a permanent basis in our income tax law.

This is why I am happy to move my amendment this afternoon. It provides relief to those who need it, to those whose income is slightly over the level the minister has set, and it establishes the principle of dealing with this problem by way of the tax credit system. I hope hon. members will think seriously about it. There was good support for this amendment in committee of the whole on this side of the House on November 2. Surely some Liberals have done a little thinking about this legislation in the weeks that have gone by since November 2. Surely they have read the newspapers, received some mail, chatted among themselves about a just society and that kind of thing. May one hope that as a result of this they can take a different view when a recorded vote is called on the amendment I shall shortly be moving?

I have tried to show that there are many shortcomings in this bill. The total package is extremely disappointing to those of us who believe in tax reform and a progressive system of taxation, leaving us with no choice but to vote against the bill as a whole. This we shall do at 3:45 p.m. this coming Friday under the rule which has been imposed on us today. But if we cannot get all the other changes made, if we cannot secure the massive improvement we would like, I hope the House will seriously consider this one crucial matter.

It is not good enough in 1971 for Liberals to be talking magnanimously about exemption levels of \$1,500 and \$2,850 when in the late twenties the exemption levels were \$1,200 and \$2,400. The Minister of Finance had better quit making that speech if he has any capacity for being embarrassed at all. In comparative terms, he has not done anything. I am sorry; I have to correct that statement again. He has done something; he has made things relatively worse for the low income people of this country.