

*Income Tax Act*

Then there is an amount of \$18,637 to Major Sales Distributors for flashlights and \$48,154 for gasoline lanterns. I suppose these are needed to lead the government out of the darkness.

**The Acting Speaker (Mr. Laniel):** Order, please. The Parliamentary Secretary to the Minister of Trade and Commerce (Mr. Howard (Okanagan Boundary)) is rising on a point of order.

**Mr. Howard (Okanagan Boundary):** Mr. Speaker, I have listened carefully to the hon. member's speech, and I find it very difficult to relate it to the tax bill before the House. It seems to me that we should follow the rule of relevancy, which is such a well-known and established rule of the House.

**The Acting Speaker (Mr. Laniel):** Order. I am sure the hon. member heard the remarks made by the Chair a few moments ago, again inviting hon. members who want to participate in this debate to observe the rule of relevancy. But at the same time, I should point out that a practice is followed that when legislation relating to supply and finances is introduced, this opens the door to a much wider range of discussion than would the introduction of an ordinary piece of legislation. Anyway, I hope that the parliamentary secretary will not insist that participants in the debate start to speak directly to definite clauses of the bill without dealing with other indirect questions that are related to them. It would be very difficult for the Chair to impose that restriction.

**Mr. McQuaid:** Thank you, Mr. Speaker. These are the very reasons the government has found it advisable not to introduce real tax reform. It cannot introduce real tax reform when there is waste and extravagance such as I am citing here. However, I will not embarrass members of the government too much longer. There are just one or two other items that I want to bring to the attention of the Canadian people.

I cite a contract to Biltmore Hats Limited in the amount of \$40,775 for felt hats, and a later contract in the amount of \$18,430 for felt hats. I suggest that all this is evidence of gross extravagance, and there are thousands of other indications of the same thing. If the government would try to practice a little economy it could very well introduce real tax reform through this bill, something that would give real relief to the people of Canada. This would be welcomed by both sides of this House, and by all Canadian citizens.

**Mr. Derek Blackburn (Brant):** Mr. Speaker, I wish to congratulate the hon. member for Cardigan (Mr. McQuaid) on many of his remarks opposing some aspects of this proposed tax reform. I had not intended to step into the debate at this time, mainly because I am neither a lawyer nor a tax expert. But having listened to other hon. members, having talked to lawyers, and having watched tax experts on television decry the fact that this massive document is mainly confusing verbiage, I decided that I was just as qualified as several other hon. members to speak on it. As the hon. member for Cardigan has pointed out, and as many tax experts across Canada have pointed out, this bill really should be rewritten. It should be put

[Mr. McQuaid.]

into language that most of us can understand. The taxpayers themselves should be able to understand it.

The other reason that I decided to enter the debate at this time was that I could not allow the Minister of Finance (Mr. Benson) to try to sell this bill as tax reform. There are some aspects of the bill that are welcomed by me and other opposition members, but in the main it is merely a patch job on a series of patch jobs that were undertaken over the years, principally by Liberal tax authorities and ministers of finance.

I wish to mention some of the aspects of the bill which I find repugnant. Very few people who have taken part in the debate so far have mentioned the effect that the bill will have on rural Canada, particularly on dairy farmers and beef farmers. The changes proposed in the bill will phase out what is commonly referred to as the basic herd. Farmers have come to look upon basic herds as capital assets, and upon their disposal they should be looked upon as capital gains as of 1972. But according to this bill the basic herd is to be phased out, so when the herd is sold the revenue will be taxed as income, which means it will be taxed 100 per cent and not 50 per cent under the proposed capital gains tax. Perhaps for the older farmer who can establish a fairly high but fair market price as of December 31, 1971, this will not rest too hard upon him. However, for the young farmer starting out it will be pretty much of an intolerable burden to be taxed on the total amount.

There are other aspects of the bill that I find extremely debatable, and the first of these is the much touted improvements in the basic personal income tax exemptions. This is the area the government thinks it can exploit to get votes, when it gets the courage to face the people after a couple of years of economic bungling, and wandering in the economic wilderness while tens of thousands of people have been forced through unemployment on to the welfare rolls, for which the working people in low income brackets can no longer afford to pay.

Just how significant are these so-called reforms in terms of dollars? I congratulate the government on eliminating nearly one million people from the tax rolls. This move is long overdue. Just how much better off will the average factory, office or construction worker be?

• (12:50 p.m.)

Let us look at the figures. To begin with, Mr. Speaker, there will be higher exemptions for low and middle income earners. On the surface this appears to be great reform. But, echoing the words of the hon. member who spoke prior to me, why has it taken the government 22 years to update the personal income tax exemption? The last changes occurred in 1949. The value of the Canadian dollar has been greatly inflated since that time. So, really what the government is doing is simply bringing tax exemptions into line with what they should have been a few years ago.

Let us look at the figures. A married man with two children earning \$4,000 a year, and tragic it is that many men are still in this wage category, paid \$210 in income tax under the old system. In 1972 he will pay about \$73. This amounts to a gain of about \$2.60 a week. What a fantastic gift from such a benevolent government! Let us look at the \$8,000 a year wage or salary earner, with a wife