(b) $120". That appears to me to be the nub of the question now under debate. There might have been room for debate had the clause simply read "2 per cent of taxable income for the year as determined for the purpose of Part I". We could then have argued whether or not this was a necessary imposition of extra tax. But we would not be engaged in discussing the basic fairness of an approach to taxation such as the minister is now proposing.

• (5:00 p.m.)

My hon. friend from Winnipeg North Centre pointed out that for a long time this principle has been incorporated in the levying of taxes for the old age security fund. This limitation has been the subject of many debates in the house over the years and has been vigorously opposed, as hon. members are aware, by my hon. friend from Winnipeg North Centre and other members of our party. It is true, however, that the proceeds from this tax are placed in a special fund for a specific purpose, as hon. members opposite have often argued. By contrast, the tax we are now considering is not intended for a purpose of that kind and it is not placed in a special fund.

The label attached to this tax is, therefore, false and misleading. I say it is false and misleading because it incorporates the principle represented by the words "or (b) $120". This means that no one will pay more than this amount into the Consolidated Revenue Fund as a result of this tax, no matter how high his income may be. I thought we had made some real advance in our approach to taxation when following the defeat on third reading of another bill which would also have levied a surtax, the government was obliged to bring in an alternative surtax proposal without the equivalent of "or (b) $120". There was a 3 per cent levy on everyone according to the amount of income received, in other words, according to ability to pay. There was, too, a surtax on the taxable incomes of corporations in the same amount, without provision for a ceiling.

It is significant that in the face of a decision by this house in another parliament which forced the government to abandon the principle of placing a ceiling on tax levied under income tax principles, the first taxation bill to be brought in by the present government should reintroduce this unfair principle. Nobody in this party suggests that millionaires or anyone else should be unfairly taxed. But in a democratic society we long ago reached a consensus, I thought, that taxes should be levied in a reasonable way based on ability to pay. Clause 27 negates this principle, and the government's action in this regard is especially to be condemned because of the way in which it bears down on the lower income groups.

The hon. member for Simcoe North pointed out that the Minister of Finance could have at least mitigated the unfairness of this proposal by raising the basic exemption level. Quite frankly, I had been hoping that in the announcements made by the hon. gentleman last night something of that nature would be included. I realize we cannot at this point discuss the full implications of the minister's budget statement last evening, but I certainly agree with the hon. member for Simcoe North that if the Minister of Finance had announced his intention to raise this ceiling he might very well have taken some of the wind out of our sails as far as the discussion this afternoon was concerned—and I, for one, would have been quite happy about such a situation.

The fact is that as a result of this measure those who are living on old age security pensions plus the supplementary benefit will be obliged to pay an additional tax. The levy imposed by the income tax law is such that they have to pay back more in income tax than they are getting by way of cost of living bonus under the old age security provisions which, to some of us, at least in this party, represented an advance. I might add that in consequence of the rules under the British Columbia medical plan in connection with premiums to be contributed by those in receipt of taxable income, the people to whom I refer have lost the benefits of the lower rate under the program to the point at which those who have no incomes other than old age security pensions plus the guaranteed income supplement are actually losing money if one takes into account the difference in their payments under the medical plan as a result of the fact that their incomes exceed the level of the basic exemption.

All these things taken together lead me to conclude that we are now considering one of the most unfair pieces of tax legislation which the house has been asked to approve for a long time. For the hon. member for Trois-Rivières to get up and talk about soaking the rich to help the poor in the context of this clause at this time seems arrant nonsense to me. I suspect he is living back in the 19th century world from which we hoped all members of this house had escaped a long time ago. Apparently all the Prime Minister's