

*Income Tax Act*

churches and other charitable organizations are deductible only up to a maximum of 10 per cent of income. In contrast, donations to Her Majesty in right of Canada are deductible up to the full amount of a taxpayer's income for the year. Representations have been made on behalf of certain provinces and several art galleries that the present 10 per cent limitation on donations to Her Majesty in right of a province places provincial art galleries and museums at a disadvantage in comparison with federal galleries. Since the provinces now share substantially in the income tax field and since all Canadians benefit from donations to galleries it seemed reasonable to propose this change. It is also proposed that this amendment will permit a taxpayer to carry over for deduction in the immediately following year any amount by which his donations to the federal government or a provincial government in a year exceed his income for that year.

Paragraph 2 proposes that a surtax of 3 per cent be imposed on corporations for the years 1968 and 1969. The effect of this surtax will be to raise the rate of tax on the first \$35,000 of corporate taxable income from 18 per cent to 18.54 per cent and to raise the rate of tax on taxable income in excess of \$35,000 from 47 per cent to 48.41 per cent. The surtax will not affect the old age security tax on corporations and it will not affect the provincial abatement or the provincial revenues from corporations.

Paragraph 3 proposes that a surtax of 3 per cent be imposed on individuals. This surtax will apply to basic tax in excess of \$200. It will not affect approximately 2,400,000 taxpayers, which is about 36 per cent of the total number expected to pay individual income tax in 1968. The proposed surtax will apply without any top limit. Finally, this surtax will apply only for the taxation years 1968 and 1969.

Paragraph 4 of the resolution proposes that corporations be required to move forward by two months the period during which they pay their income tax for a year. Corporations will be required to make five payments, each of which is equal to one fifth of their estimated tax. For example, a corporation with a taxation year which coincides with the calendar year will make its first payment for 1968 in June and will make a payment equal to one fifth of its estimated tax for 1968.

I should like to break down the revenues from these proposals. The 3 per cent surtax on individuals is expected to yield in the

[Mr. Sharp.]

fiscal year 1968-69, the sum of \$105 million. The 3 per cent surtax on corporations will yield \$45 million and the move forward of the corporation income tax payment period will yield \$240 million, for a total of \$390 million.

As an illustration of the effect of the surtax I might point out that for a single taxpayer with no dependants—and most single taxpayers would have no dependants—

**Some hon. Members:** Oh, oh.

**Mr. Sharp:** —the surtax will not apply to single taxpayers with incomes of less than \$2,743. Taking a figure at random, a taxpayer with an income of \$7,000 will pay a surtax of \$25 a year. Taking a married taxpayer with no dependants, the surtax will not apply if his income is less than \$3,743. A married taxpayer with no dependants but with an income of \$7,000 will pay \$18 a year. A married taxpayer with two children eligible for family allowances will not pay surtax if his income is less than \$4,343. Such a man with an income of \$7,000 a year would pay a surtax of \$14 a year.

If there are questions about these resolutions, or any part of them, Mr. Chairman, I shall be happy to answer them.

**Mr. Stanfield:** Mr. Chairman, my understanding is that this is a matter of confidence.

**Mr. Monteith:** Don't blush, you people on the government benches.

**Mr. Stanfield:** It may not be important tonight, but I hope that at some time someone on the government side of the house will explain what is the difference in principle between this measure and the one we defeated on February 19.

**Some hon. Members:** Hear, hear.

● (9:00 p.m.)

**Mr. Stanfield:** I want to be brief tonight and not inflammatory. I will simply state our position so that it may be clear it is not being abandoned, not for the sake of pursuing the argument on this occasion. We continue to take the position that inflation, which is reflected in rising prices, rising interest rates and rising costs, has been contributed to very substantially by the policy of this government.

**Some hon. Members:** Hear, hear.

**Mr. Stanfield:** I do not intend to take the committee through the history of budgets over the past few years. I do not think there