

Income Tax Act

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, the point that the parliamentary secretary seeks to raise is, of course, quite different from the point which Your Honour drew to our attention. As for the point raised by the parliamentary secretary, I think Your Honour's rulings have been quite consistent throughout the debate on this bill. When a member seeks merely to reduce a tax on any particular group of taxpayers, providing he does not move to put a tax on another group, Your Honour has found no objection to that kind of amendment. All this amendment does is give us an opportunity to exercise our right to vote against certain subsections of the section that is before us at the present time. I submit, therefore, that there is no validity to the objection raised by the parliamentary secretary.

I also wish to comment briefly on the point Your Honour raised a moment ago. Merely to vote against the amendment of the Minister of National Revenue that is before us leaves us in the position of accepting what is previously in the bill as subsection (3). We are opposed to both versions, both subsection (3) as it was originally drafted or as it has been proposed by the Minister of National Revenue. That is why we prefer to deal with it in the manner in which the hon. member for Regina East has placed it before Your Honour.

The amendment would strike out the substitute wording that has been proposed by the Minister of National Revenue and also leave out the original wording which was already there. That is what the minister's amendment does, namely strike out the original wording and put something else in its place.

Since the other two parts, subsection 4(f) and subsection 6 are relevant to the same issue and consequent to the removal of subsection 3, it seems to us that the simplest thing to do would be to have one vote on the whole issue of the capital employed concept. If Your Honour feels there is not that much one way or the other, I hope you will consent to this amendment being put. In one vote it will give hon. members the opportunity to say "yes" or "no" to the capital employed concept as far as co-operatives are concerned.

The Chairman: I thank the parliamentary secretary and the hon. member for Winnipeg North Centre. I expressed initial reservations because, although I have some reservations about the procedural acceptability of the proposed amendment; I feel the Chair should try to expedite the proceedings rather than spend our time on procedural arguments. I should put on record that I agree in principle with the argument of the hon. member for Winnipeg North Centre. I indicated this a day or two ago in my ruling on the proposed amendment by the hon. member for Edmonton West. I suggested that, with complexity of this bill and the somewhat unusual procedure we have been following, unless we give a bit of latitude hon. members will not have the opportunity to express opinions on the substantive aspects of the bill. In this instance it may be, as the hon. member for Winnipeg North Centre has argued that if we follow the procedure suggested in the subamendment of the hon. member for Regina East, it would give members of the committee a better chance to register an expression of opinion.

• (4:10 p.m.)

With respect to the argument put forward by the parliamentary secretary, I think this is a point which does not raise much difficulty. I was really concerned with finding the best way of dealing with the matter which the hon. member for Regina East wishes to bring before the committee. Unless there are further objections, I am prepared to put the subamendment in the name of the hon. member for Regina East.

[*Translation*]

Mr. Gauthier: Mr. Chairman, my remarks will be mostly about section 137 concerning *Caisses populaires*.

I should like to call the attention of the Parliamentary Secretary to the well marked difference that exists between private corporations and *Caisses populaires*. Then, I shall read communications from persons concerned with *Caisses populaires*.

The Parliamentary Secretary is well aware that there is a vast difference between private corporations that I shall describe as capitalist corporations, and *Caisses populaires*. As a matter of fact, they are capitalist corporations since they exist mostly for the purposes of capital-money. In those institutions, each share entitles the holder to one vote. That is what we call capitalistic companies.

However, there are institutions where the directors establish the terms of the voting rights. In a co-operative institution, all shareholders have their say as long as they have one share. Even if one shareholder has 50 shares and his neighbour has only one, each is entitled to a single vote.

That is the whole difference between these two kinds of institutions, and I think that today, with the bill that we are in the process of passing, we are discriminating against co-operative institutions and credit unions as regards deductions allowed when computing income tax.

The Parliamentary Secretary to the Minister of Finance (Mr. Mahoney) will perhaps tell me that the government has proposed amendments. At page 9158 of *Hansard*, I read the amendment on the computation of cumulative deductions:

(4.2) For the purposes of subparagraph 125(6) (b) (i), the amount of a credit union's taxable income for a taxation year shall be deemed to be the amount, if any, by which its taxable income for the year otherwise determined exceeds the lesser of \$25,000 and $\frac{1}{2}$ of its taxable income for the year otherwise determined.'

Mr. Chairman, I will point out that co-operatives with capital stock just have to convert it and invest it. As for co-operatives, they can do so, especially the *caisses populaires* which are corporations with capital stock. Thus they cannot put it into reserves; they do not have the alternative offered to a private corporation, that is either to put it into reserves or invest it.

For example, if the *caisses populaires* decided to transform their reserves into capital stock, this would create a problem because a member can withdraw his capital stock at any time. This represents a serious danger to the security of the *caisses populaires*, which does not happen to private corporations. This is why, despite a few weaknesses still contained in this legislation and account being taken of the small amendment brought in, we would hope that the government raise the exemption ceiling from