

The Budget—Mr. Kaplan

one who can be described as being in a condition of poverty has to pay income tax. As far as I can judge, you cannot go further toward the relief of poverty by way of tax reform. There are other measures to which we must turn to reach the objective of eliminating poverty.

The hon. member for Waterloo made a further interesting point. In spite of the measures I have just described, he is trying to convince the people of Canada that this is a budget for businessmen, a budget that speaks to the prosperous and not the ordinary working person of Canada. His principal illustration in support of this argument is that it is proposed to reduce the corporation tax. Like the illustration he gave of the Carter report, he knows perfectly well—the hon. member has often said so—that corporations themselves do not pay the corporation tax. Corporation taxes in very large measure, under our present economic conditions, are entirely passed on to the consumers. Who are the consumers? They are, I submit, the ordinary working people of Canada, and I would suggest that reducing the corporate tax is not specifically a benefit for stockholders. They may benefit when certain kinds of economic conditions prevail, but under present economic conditions a reduction in corporate taxes is passed on to consumers by almost every industry.

● (5:10 p.m.)

I would also point out that a reduction in corporate tax has an important incentive effect on the economy. The hon. member for Waterloo tossed in the air the concept of business confidence which he described as a myth. The Minister of Industry, Trade and Commerce (Mr. Pepin) described it as rather an abstract concept which he nevertheless insisted did exist and was important. I agree with the minister that it does exist and that it is important. In fact, I believe it is more concrete than he suggested.

The measure of business confidence, Mr. Speaker, is reflected by the level of personal savings in our economy. Anyone can study the figures issued by the Bank of Canada and see that over the past year, Canadians, ordinary consumers, have been reluctant to spend. They have saved against uncertainties about the economy, about their own future, about whether "big ticket" items should be purchased, about whether investments should be made, and so on. This information is available in black and white to anyone who wishes to examine it.

A high level of personal savings operates to some extent against the growth of the economy. We want at this time to encourage people to consume. We want to see the economy expanding again, and we want to bring down the level of personal savings. Thus, it can be seen that the concept of business confidence has a very real dimension and it is a challenge to the government today to give the people of Canada enough confidence to make the positive decisions which will get the economy moving forward. I submit that this budget is a great step in that direction.

A number of speakers from across the way have said in one way or another that there is nothing left of tax

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reform. The hon. member for Waterloo said that tax reform had gone down the drain. I have made one point in that connection, to the effect that the shifting of the tax burden which has clearly taken place is one of the very important objectives of tax reform in that it brings about greater equity. But there are other objectives of tax reform which have also taken place. There has been a broadening of the tax base. There has been the inclusion of capital gains in the tax base. There has been the elimination of the abuse with which the small business allowance was treated. There has been greater taxation imposed upon the oil, gas and mining industries. I would like to say a word or two about each of these.

In connection with capital gains, we wrestled in the committee with this question. It had become clear that we did not believe that the capital gains rate on public corporations could be higher than the American rate. The reasons for that are obvious. Working from that point, we discovered that there was no mechanism which could be introduced which would make sense, or be acceptable, by which we could impose at the same time full capital gains rates on other capital gains.

The white paper proposed one solution based on the concept of the closely-held corporation. This concept was so difficult that we decided in committee that it should not be used as a base for deciding between full rate and half rate capital gains. We were, therefore, reluctantly driven to conclude that half rate capital gains was the only way we could introduce it, given our relationship to the American market and taking into consideration the access the Americans have to ours.

In connection with small business exemption, there has been a great deal of abuse. Compared to the situation last Friday, the small business exemption has been increased. Any business which qualified for this exemption previously, and continues to qualify for it, can get \$2,350 a year more tax savings from it than they could before last Friday. But this exemption is now no longer available to big business; it is no longer available to foreign businesses and it is no longer available as a device for sheltering investment income—what the Minister of Finance (Mr. Benson) called the "incorporated pocketbook".

With reference to the oil, gas and mining industries, it is true there is a long transitional period provided for the taking effect of measures similar to those proposed in the Carter report and in the white paper. But during that transitional period there will be a great incentive to explore all the mineral wealth of Canada in order to earn depletion. As great as our country is in mineral wealth, one day exploration will cease. It has been predicted in the oil industry this will happen in the late seventies and eighties. When that does happen and earned depletion, which is to be introduced in 1976, is no longer available the corporations in the oil, gas and mining industries will begin paying the same share of taxes as any other corporation. That is a desirable goal of tax reform and one which, although postponed through the transitional period, will nevertheless be achieved in the long run.