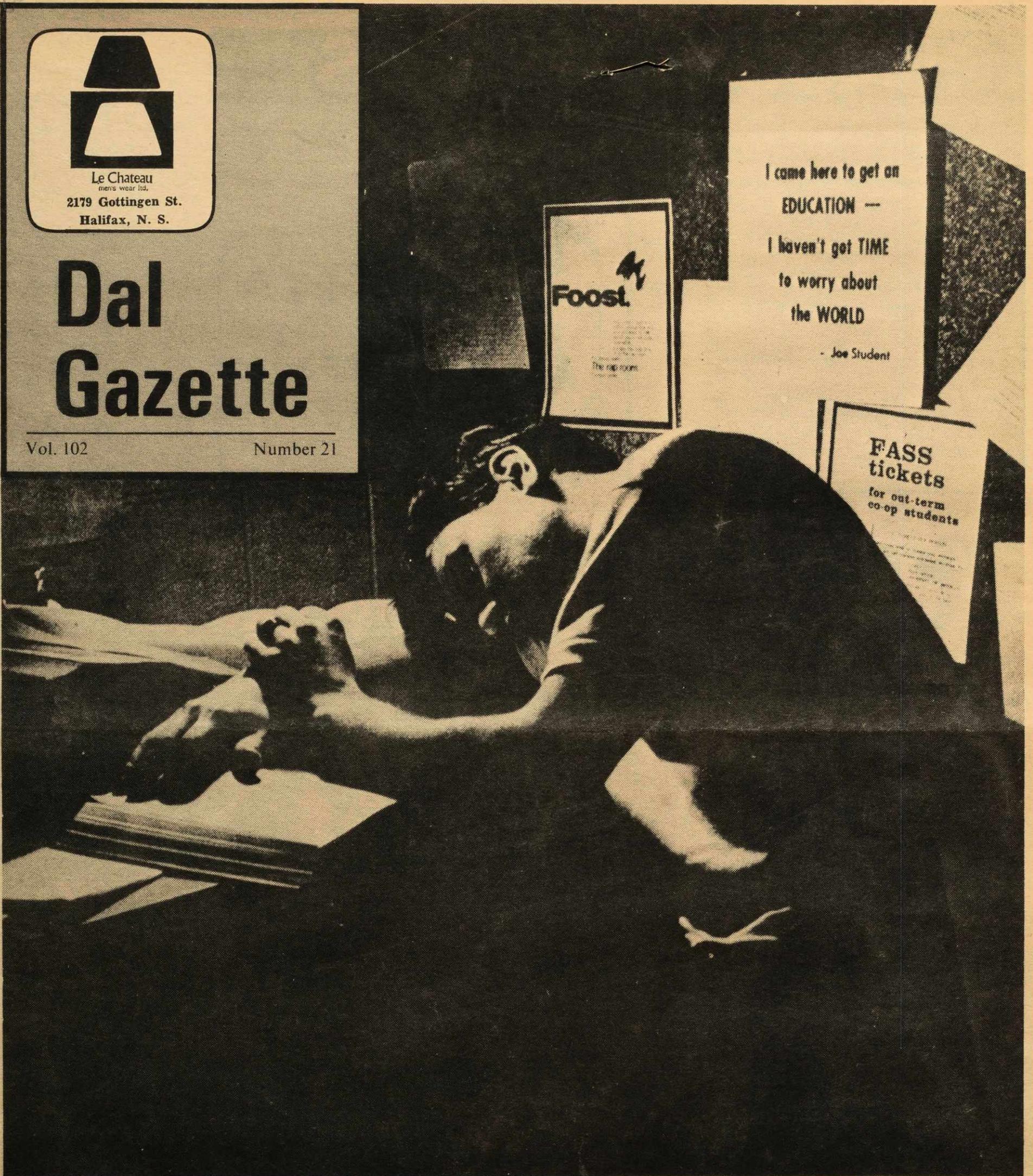


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Dal Gazette

Vol. 102

Number 21



- Tom Purdy, the Chevron

...slavery, to sustain itself,
must work a man hard enough each day
that it takes something out of him

CLASSIFIED ADS...

Note - Price of Advertisements are 50c for three lines and 5c for each line following. Ads must be submitted no later than 12:30 on Wednesday.

Lost and Found
FOUND - There are missing articles being held at the Enquiry Desk

lost by students during the year. Articles such as blankets, cuff-links, scarves, gloves, glasses, sweaters, overshoes and keys are now at the Enquiry desk. Owners may claim same by going to the SUB Enquiry desk.

Announcements
Margaret Lawrence will be visiting Dalhousie on March 10, 11, 12, to give a public lecture "Form and Voice in the Novel". Weldon Law Building, Room 115 at 8:30 p.m.

Apartment Wanted
A two bedroom apartment (unfurnished) is required by a widow with two children. South End preferred. Please call 424-2350 and ask for Martin Dalley, or 429-9400 and ask for Dave Macdonald.

Housekeeping
A University teacher on sabbatical will look after your house and/or children during your absence anytime between now and mid April. Call Mrs. Malloy at 423-6162, YWCA.

SAVE 1/3
1/3 off the balance of our Fall and Winter leather and suede jackets. Warm zip-in pile lining for winter wear with regular lining for late spring and early fall wear. An exceptional opportunity to save. Regular price: \$79.50 - Sale price... **\$53.00**
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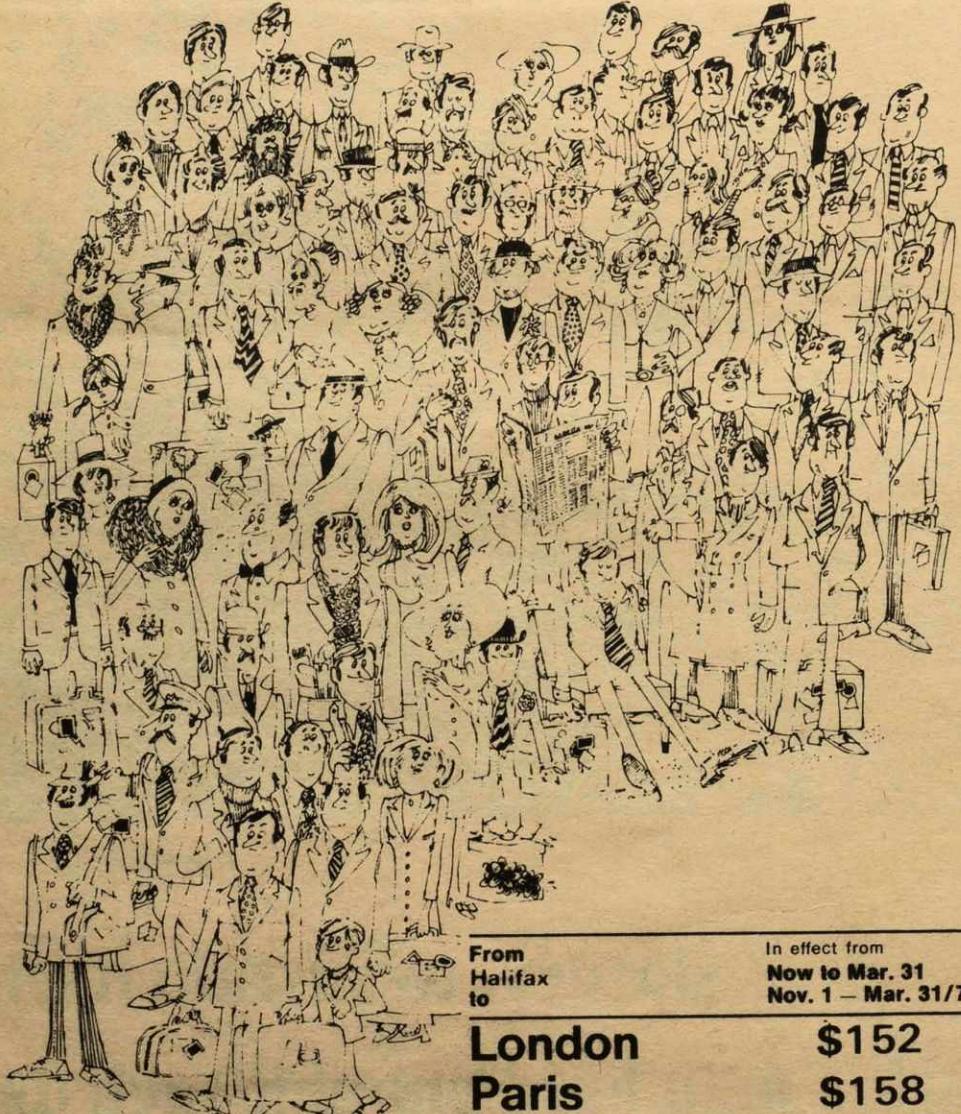
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Education
You have all heard about the New Morality. Now learn some of the New Morality games. Here is one of them called TOYTSES. Play this game with the Golden Spoon Award Champions, Martin and Dave. Visit 2110 Robie St. Apart. '6.

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Finance Minister Edgar J. Benson

What is Benson's tax smog hiding?

by David Black, the Last Post

"Ken," said the government, "how can we straighten out our tax system?"

"Well," Ken said, "you could decide a dollar is a dollar."

"Thanks anyway," the government said, and turned out Edgar Benson's Proposals for Tax Reform.

Those proposals have generated a lot of excitement in a lot of places about "change". We are, the press tells us, about to have the recommendations of the Carter commission report all but implemented.

In fact we are about to receive two things. One is an extension of a legal tax dodge that costs Canadian millions of dollars annually — you can only get around that by making a dollar the same for the rich as for the poor, something like Kenneth Carter suggested in 1966.

The other yield of the Benson proposals is to help along the integration of the Canadian and U.S. economies. Melville Watkins calls ours a branch plant economy, and it

means that large parts of our corporate sector are outside the tax man's realm. It costs us not millions, but billions.

We commoners tend to regard the tax system with a mixture of awe, confusion and useless nonsense. It operates off a divide-and-conquer principle: At tax time we are so busy calculating our tax bills and trying to save a few dollars each that we cannot see how we are being collectively robbed.

What we need to know, briefly, is why we pay what taxes and how.

Confederation created a legal division of powers between the provinces and the federal government. Under the British North America Act, the federal government may raise money "by any mode or system of taxation". The provincial legislatures are restricted to direct taxation within their provinces. Municipalities get their taxing powers from the provincial legislatures.

It all comes out in the confusing tax system which confronts all of us. The number of different taxes, for example, seems limitless. There are income taxes, estate taxes, sales taxes, real estate taxes, excise taxes, taxes on gifts, taxes on water consumption and many, many more.

Canadians pay most of these in the form of prices paid for goods and services.

Income tax is paid both to provincial and federal governments by all persons with an income large enough to be legally declarable. The income of a resident of Canada for a taxation year includes his revenue from all sources, inside or outside Canada.

This revenue does not now include capital gains, although if the Benson proposals are implemented capital gains will count as a form of income.

Individuals also pay federal tax on gifts over a stated value. For those who receive an estate — property which changes ownership at death — there is an estate tax if the estate has a stated value. The federal government also levies a sales tax — excise tax — on goods imported into Canada.

The provinces levy personal income taxes along with taxes on retail sales, tobacco, alcohol, gasoline and property.

Motor vehicle licenses and other permits are also provincial forms of taxes. Municipalities levy taxes on owners of property situated within their jurisdiction. Tenants usually bear the cost of property taxes in their rents.

There is, of course, supposed to be some "sharing" by dint of a corporation income tax but it is simply passed on (shifted) to the consumer.

When the cost of all these taxes is added up, 40 to 50 per cent of an individual's income is paid to various levels of government. The size of the tax bite means any talk of changes draws some hope from the taxpayer, in whose name any proposals for change are invoked. "Taxpayer" is one of four concepts essential to understanding the Canadian tax system — the others are "income," "equity" and "transfer of resources". Briefly, we are to understand, individuals and corporations pay taxes on their income, resources are transferred to the needy, and this process is as equitable as possible.

The immediate problem is that corporations do not pay income tax, or at least not in the sense implicit in such a description. They can and do pass most of their taxes on to the consumer in a process known as tax shifting; the consumer, meanwhile, contributes with every purchase he makes, from a five-cent ice cream cone to a \$5,000 automobile and up.

One study for the Carter commission estimated the amount of shifting to be as high as 70 per cent — every time the consumer buys the product of a large corporation he pays 70 per cent of the corporation's tax bill on that product. The corporation becomes a tax collector for the federal government. Shifts are bigger in large corporations — competition among small firms tends to reduce them — and in monopoly situations the amount of shifting is probably 100 per cent, a particularly harsh fact since Canada is so highly monopolized.

The actual operation of the tax system, then, bears little resemblance to the notion of individual "corporations" or "citizens" paying their "fair" share. Corporations can share their "share" of the tax burden with others. The result for Canadians is simply to perpetuate a social system favoring the wealthy.

Part of this has its roots in the assumption that a dollar has the same value for a poor man as for a wealthy man — a notion which the Carter commission challenged to no avail. An 11-per-cent income tax on lower-class earnings has the social effect on disposable income that an 80-per-cent tax would have on upper-class earnings. And there is no such thing as an 80-per-cent income tax. Benson's response: "The government rejects the proposition that every increase in economic power, no matter what its source, should be treated the same for tax purposes." This attitude, which operates at the corporate

(Continued on page 4)



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What is Benson's tax smog hiding?

(Continued from page 3)

level as well, simply reinforces the privileged position of the rich.

The wealthy are helped, too, by special tax categories. Estate taxes, gift taxes, capital gains taxes if they become law — all these mean the wealthy are taxed at an effectively lower rate because their tax base is reduced. In much the same way, corporations find their tax base reduced by depreciation allowances, capital cost allowances, rebates and so on. The process is strengthened in countless minor ways — for example only wealthy individuals and corporations can afford the expertise necessary to find more loopholes, and the expertise itself is ruled a deductible business expense.

So a dollar is not, in practice, a dollar. But a new twist in the system has come with the burgeoning branch plant economy: The expression tax dodge, so explicit in comparing wealth and poverty, turns out to be inappropriate to describe branch plant theft. Listen to a former Quebec minister of revenue:

The purpose of investment in subsidiaries is not simply to earn a profit. In the parent-affiliate relationship, a profit on inter-company transactions may be taken at either end, but is normally taken by the parent. Thus, a subsidiary could lose money and still make a net contribution to the parent company's income by the profit or purchases of raw materials and component parts from the parent, by patents, royalties and fees for management, advertising and research services. In fact, the primary purpose of investment in overseas markets is to earn a profit for the parent by the control of markets for the export of parts, components and raw material concentrates. It is not essential that the affiliate show a profit.

All of which is a complicated method for admitting that the branch plant does make a profit for the parent corporation. That profit may not show on the records, but it's there: branch plants are and have been established to show a profit in the United States, not in Canada. In this situation "income" (profits for a corporation) is a totally inadequate notion. Clearly foreign corporations will minimize taxes in Canada while maximizing profits in the U.S. This amounts, simply, to theft.

If the parent corporations reported profits in Canada they would be required to pay taxes. In practice the mechanics of foreign ownership make it possible to avoid or minimize taxes in Canada. The Proposals for Tax Reform will not unearth even a suggestion that something

is wrong in this area; Canada's corporate tax base, already reduced internally, is being further eroded and the difference is made up by levying higher personal income taxes.

The branch plants, meanwhile, use all the services supplied by Canadian taxpayers — railroads, roads, education, medicine and so on. Extractive operations such as mining and some types of manufacturing are most dependent on publicly-supported services, reinforcing the worst trends in branch plant operation and forcing Canadians to support them.

It becomes apparent, then, that the categories of "transfer of resources" and "equity," like "taxpayer" and "income," are in fact myths in the terms we are asked to understand them. The branch plant effectively transfers resources from the Canadian public to private American corporations. At the same time 70 per cent of its tax base is shifted to the Canadian consumer, already paying for some of the services used by the branch plant. To talk about equity and transfers in such a situation is to talk nonsense. The Proposals for Tax Reform will only act to continue the transfer of Canadian resources and ensure payment of the increasing tax burden necessary to do so.

Given all this, what do proposals for a capital gains tax mean? Capital gains taxation would cut off one area of undeclared income, but in view of the fact of branch plant economy it focuses on the wrong item. While a tax on capital gains may increase tax revenue by \$300 million to \$500 million, an effective tax on the wealth of the branch plants (i.e. their contribution to the profit of the parent corporations) would generate additional revenue of \$2 billion to \$8 billion annually.

As an estimate of a tax loss, something like \$2 billion to \$8 billion is ridiculously imprecise. We know it excludes tax losses to provinces. We know it is 20 to 80 per cent of the federal government's fiscal 1969-70 budget. But we don't know much more. The actual figure could be more or less — it's most likely closer to \$8 billion — but financial observers are handicapped by the federal government's approach to branch plants. Because the government does not call on the branch plants to provide data on their operations, Canadians still lack the figures which would allow them to estimate more accurately the tax loss due to a branch plant economy.

In any case, \$2 billion to \$8 billion would lop a good deal off the income tax Canadians pay. With that much not available in the annual tax take, debate around a capital gains tax which would increase revenue by \$300 million to \$500 million is pointless.

The proposed tax changes pretend that corporate tax shifts in the branch plant economy do not exist and that

international cash flows are not a problem. Says the white paper: "The over-all thrust of Canada's present provisions for taxing the Canadian income of non-residents is generally regarded as reasonable. The Canadian wages and business profits of non-residents are taxed at the ordinary rates."

The only white paper statement relevant to the operation of a branch plant economy ignores the problem: "If the foreign corporation incorporates a Canadian subsidiary, the Canadian corporation is taxed on the profits at 50 per cent." There's no mention of a classic branch plant, on the books making no profit, yet contributing to the profit level of the parent corporation. The nearest satisfactory response says that "a foreign corporation which carries on business in Canada through a branch is liable for a special 15 per cent tax on net after-tax profits it has available for withdrawal." In fact a special deduction is made for any profits invested in land and depreciable assets. This will be changed to provide a deduction to "recognize the need for working capital."

Generally, then, it is not enough that the branch plant can avoid taxes so successfully; the government is proposing to increase the efficiency of the process. Taxation is supposed to provide services for Canadians, but the branch plant economy means that money that could pay for those services becomes part of the profits of U.S. parents. And where taxes must be paid in Canada they are shifted, to the consumer.

Proposals for Tax Reform is a political pamphlet. For all practical purposes it calls for the extension, with minor changes, of the present allocation of resources — a system which, as has been shown in part by the government's own commission, is inequitable.

David Black is a former researcher for the Canadian Union of Students. Reprinted from the Last Post.



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French fries 25¢, 50¢ 1.00 up (gravy extra)
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the share page returns

by rick rofihe

*Nothin' seems to change, it all seems just like before
You said I should wait, I can't wait anymore
People have ways... yes, I've noticed
It's like a maze... of motives
Motives and games... life is so strange*

- Eric Andersen



garlic bread, fruit cocktail in crinkle-cut grapefruit, lobster-chicken-clam-salami casserole, wine, chocolate cake with cherries. w. bruce gillis poohed the "concerned student" faction and tried to ease the consciences of those present. henri hicks was there and hoped to be there next year. rev don trivett delivered an exceptionally great nontheist grace which consisted of a moment's silence to think about the large numbers of those who live in poverty. the incoming president of the union, andy winstanley, showed considerable bravery and unselfishness for, although he probably sensed that the guests were predominately student jet-setters, rich-bitches and administraitors, he read the letter (below) and placed his support behind its plea. thanks are also given to those who supported the cause both with words and contributions. all told, what the north preston youth improvement association got out of the evening was...

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Annual Awards Dinner
Dahousie Student Union and
Guests

Dear Sirs:

We should like to sing for our supper, and hope that you will join in the chorus. Our song is to the tune of \$1200, which is, according to reliable sources, the approximate cost of this fine meal we have eaten. Some students at this university suggested that this dinner be cancelled and the money given towards work in underdeveloped parts of the Community. However this idea did not materialize, so we have another. We have had our cake, but let others have some too. We would like to propose that before each of us leaves tonight, we make a donation to the North Preston Youth Improvement Association.

The idea may seem arbitrary - but is not one of the purposes of any university to engage itself in helping to correct the problems of the community around it? The choice of the North Preston Youth Improvement Association, we grant, may also seem arbitrary, but they are a group directly connected with trying to better the

P.O. Box 62
Howe Hall
Dalhousie University
Halifax, N.S.

educational attainments of their young citizens, and working to obtain the right to enjoy a decent life.

They are organizing to develop their community, both from within and through ties with the greater Metro area. We emphasize that they are a completely non-violent organization.

The present major project of the organization is the operation of a bus service which, for lack of a municipal one, serves the entire community. Included in its functions are both the transportation of school children and the utilization of the bus as an ambulance in case of medical emergencies. Although they are officially recognized by the provincial government as a legally-constituted non-profit organization, they have received only small amounts from both business and public sources.

Transitional year programs and N.S.A.A.C.P. bursaries (both for what they are worth) aside, projects such as the one described here are vital to the educational well-being of the Preston community. This being the week of Encounter, a heightened consciousness of the problems of human beings dominates the minds of many individuals. Let this feeling come to bear tonight by pledging your financial and moral support to this cause.

Sincerely yours,
a Concerned Group
of Students

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IS GUIDED
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FEELINGS
OF LOVE**



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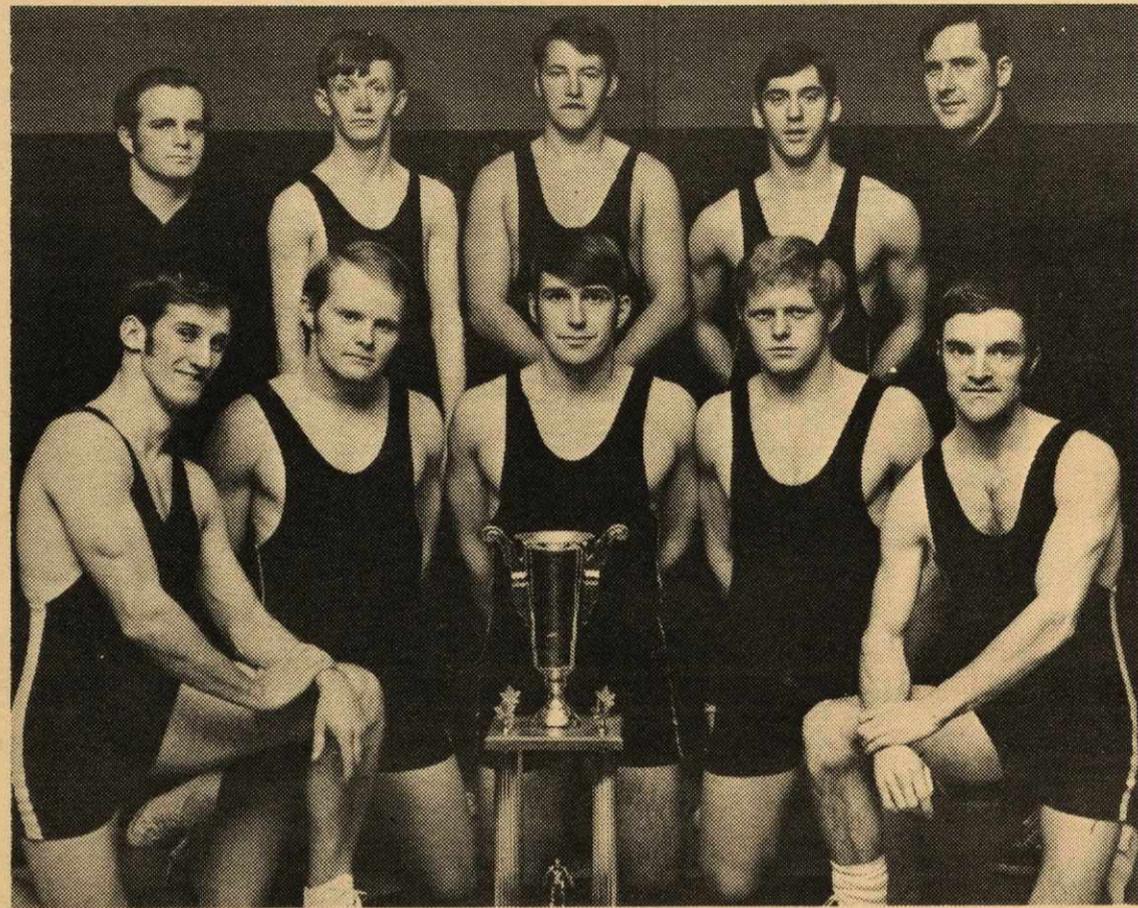
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SMU takes hoop title



Dal Champion Wrestling Team — (back row, l-r.) Manager Bob Bowes, Bill Rankin, Bud Snow, Mark Wannamaker, coach

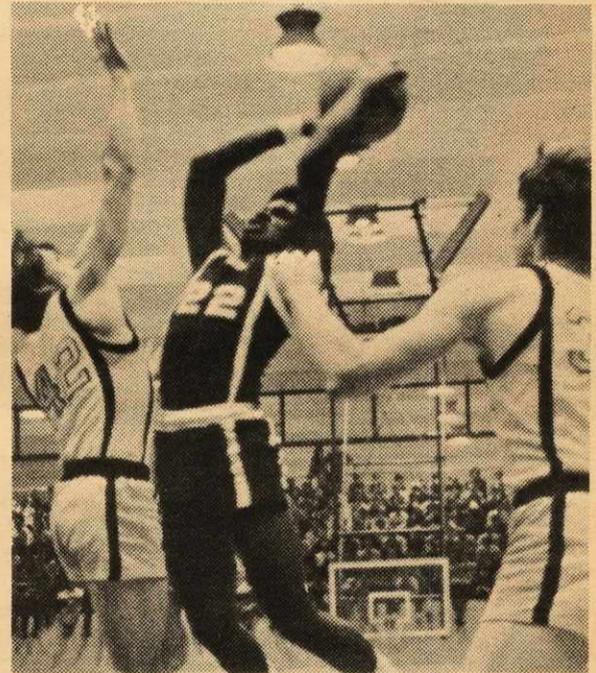
Glen Conly. (Front row, l-r.) Larry Burke, Ken Minnaker, Hugh Nicholson, Wolfgang Nowak, John Dunphy.

St. Mary's Huskies squeaked past Dal Tigers 61-59 Tuesday to take the Maritime Intercollegiate basketball championship in a game played at Acadia University in Wolfville.

Dal and SMU finished the regular season with identical 10-2 won lost records and the game Tuesday was a playoff to decide which team would represent the league at the national championships in Hamilton next week.

Dal led the game going into the final seconds, but SMU scraped up the winning margin under the leadership of Ken Reedon.

The two teams split a two game home-and-home encounter during the regular season, SMU winning on their home court by a single miserable point.



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COMING EVENTS

- Monday, March 2** - Study break begins
- Tuesday, March 3** - Championship basketball game, Dal. vs SMU at Acadia - 7.30 p.m.
- Friday, March 6** - Women's Intercollegiate basketball tournament (final)
- Saturday, March 7** - Women's Intercollegiate basketball tournament (final)

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