

FEDERAL PROVINCIAL CONFERENCE
OTTAWA, ONTARIO
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- The White Paper on Tax Reform -

From the outset of the debate on the White Paper, our Government's position has remained unchanged.

We are opposed to the majority of the basic proposals contained in the White Paper on Taxation.

We agree with the increased personal exemptions, and the deductibility of such items as child care and employment allowance.

It has been our contention, however, that the objectives could be achieved without the vicious increases proposed in the White Paper.

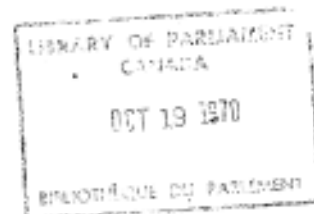
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- Level of Taxation -

We believe that in the years ahead a high priority must be given by all governments to holding the tax line.

Today the 3 levels of government would appear to be taking over 34% of the gross product in the form of taxation.

Such a percentage surely cannot be justified in peacetime.



Yet the original proposals in the White Paper would increase this percentage.

Our Saskatchewan administration therefore again expresses the hope that Ottawa will not proceed with the White Paper on Taxation as originally proposed.

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Today I shall not re-state all of my government's objections to the document.

Rather I shall only refer to several specific proposals.

1) Capital Gains Tax

If it is imperative to levy a tax on capital gains, we would strongly urge that the rate of tax levied be no higher than that levied in the United States.

It is our feeling that the rates charged in Canada cannot become out of line with those existing in other nations.

This is particularly true at a time when we are so badly in need of investment capital.

We believe that the rates proposed in the White Paper are excessive, and would have an adverse effect upon economic growth.

Capital Gains and the Farmer

WE URGE THAT THE CAPITAL GAINS ON FARM PROPERTY BE COMPLETELY DROPPED.

These gains are almost like life insurance for most farmers - he must die before they are realized.

The farmer has enough woes, without having to face this new levy.

If Ottawa is adamant that such lands must be taxed, then we would suggest amendments to the original proposal.

We ask that when the gain is realized, the farmer be allowed to average the gain over the period the asset was held.

We would also suggest a roll-over provision, whereby absolutely no gain is realized when one parcel of land is sold to relocate on another parcel of land.

With respect to the valuation of land, we would suggest that land be valued at the higher of cost or its 1968 value.

Otherwise, the current low price of farm land would substantially inflate future gains on such land.

Further, we would suggest that the recapture of depreciation on farm equipment be excluded from the capital gains tax.

2) Integration with the Estates Tax

Our government has already indicated its opposition to the vicious rates of estates tax currently in effect.

To date, we have not had a capital gains tax in Canada. This gap has been filled by the estates tax which, in effect, taxes accumulated capital gains (as well as tax paid earnings) at the time of the individual's death.

If we are to have a capital gains levy we express the hope that the current rates of estates tax be substantially reduced to partially compensate.

3) Taxation of Small Business

The current dual rate of corporate income tax, along with tax free capital gains, has provided an inducement for businessmen to place earnings back into the corporation.

Our government feels that the objectives of promoting small businesses to expand is a sound one.

The White Paper proposals do not provide such an inducement.

We ask that the present tax rates on small business remain at present levels.

However, if changes must be made we would propose that an incentive be granted to such businesses, whereby they might defer tax payable to the time when they reach a certain earnings capacity (\$100,000) or level of capital investment (1,000,000).

While these taxes would be deferred, the corporation would be liable to pay the back taxes over a reasonable period, after the corporation reached the earnings or capital level indicated above.

A similar inducement should be available for sole proprietors and partnerships.

The Extractive Industries

We particularly object to the White Paper proposals for the mining industry, as being discriminatory to Western Canada.

We were pleased to hear that the Minister of Finance had realized the harshness of his original proposals, and had modified them.

However, even the amendments are unacceptable to our government.

The proposed changes are of little or no value to the petroleum industry.

Moreover, we are concerned that the proposals, as they affect the oil industry, may cause a transfer of revenue from the provincial to the federal level of government.

We fear that with increased income taxes, the monies paid by the petroleum industry for crown leases (Bonus Bids) may decline substantially.

We would, propose that earned depletion allowances for the petroleum industry be made more generous, and that bonus bids be considered as an eligible exploration cost for earned depletion.

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We would further urge that the extractive industries be made eligible for industrial incentive grants under the Department of Regional Economic Expansion.

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Rate Structure

Finally, we would suggest that the rate structure proposed in the White Paper will place an undue burden on the middle income groups.

Further, as inflation takes its toll in future years, these rates will permeate through the income levels to place an undue tax burden on those who today the White Paper purports to help.

We would suggest:

1. increasing the marginal rates much more gradually so the maximum rate of 50% is reached at a higher income level - say \$40,000.
2. allowing the maximum marginal rate in effect to increase above the 50% level to a maximum of 60% (if necessary to compensate for graduating the marginal rates more slowly) the 60% marginal rate to apply at the \$60,000 and over.

Conclusion

If the Federal Government is determined to proceed with the White Paper proposals, we ask that these suggestions be considered.