

*Income Tax*

heat, maintenance, taxes, and so on. My question is: what is the minister's view on the possibility of taxing this imputed value of one's home?

**Mr. Macdonald (Rosedale):** There is no such proposal. If the hon. member had been following closely the argument, the observation I made was that to continue to occupy a house when only one or two of the bedrooms were used may be involving the couple in a substantial cost above any tax consequences of liquidating that investment with no capital gains consequences and thereafter investing the proceeds.

**Mr. Clarke:** I thought that is what the minister had said. But surely this is an extension of the minister's big brother type of thinking. He is saying, as I understand it, that the person who wishes by choice to live in a larger home than he needs should be penalized by the government by having his investment made subject to tax, which then the taxpayer spends on rent which is not a deductible expense, whereas if he left his money invested in his home he would not be subject to that exposure.

**Mr. Macdonald (Rosedale):** I do not know how I can explain it any more clearly to the hon. member. Of course that person does not pay any income tax on the imputed value of his home, and there is no intention to impose tax on it. The observation I made was that the hon. member for Esquimalt-Saanich had said it was unfair to have to pay tax on the proceeds of selling a home once the owner reinvested. I made the observation that as a pure investment decision it might well be a sound argument to liquidate the household into cash and reinvest the cash rather than pay the carrying cost. Nobody has to do that, and there will be no adverse tax consequences if they do not do that, but in terms of personal budget they may wind up paying more than they would have to pay in income tax. I am not sure how I can make it any more clear to the hon. member than that.

**Mr. Clarke:** I think I understand what the minister is saying. What he is saying to me is that the government does not consider that taxpayers should be treated equally, and if a taxpayer chooses to invest his money in a building or a property in which he chooses to live, then the government says, that is all right, and he will not pay any tax on the imputed value of that investment. But if he chooses to pay rent for any type of dwelling, then the government says that the money he invests in order to produce the rent that he wishes to pay will be taxed at the taxpayer's highest rate. I do not see how the minister can say that that is equal treatment for the taxpayers of Canada and, if he thinks so, perhaps he can try to explain that again.

**Mr. Stevens:** Mr. Chairman, in my few brief comments on clause 14 may I say, first of all, that I was rather surprised to see the near hysteria which I seemed to trigger among the socialists in our midst.

**Mr. Broadbent:** In your midst?

**Mr. Stevens:** In our midst in this House. I was only asking what I felt were a few rather innocent questions after we had had three years of experience with the capital gains tax in this country. I was asking the minister whether he could tell us how much revenue the tax has actually produced. Surely even a socialist would be willing to get to those facts to find out whether it is a large or a small amount. I also thought it would be interesting to find out from the minister to what extent they have done any monitoring to see if the tax has been a deterrent with respect to investment in the country. Have people tended to be less inclined to invest than they might otherwise have been without a capital gains tax? I also asked the minister if he could give us any comments on how our capital gains tax compares with taxes of a similar nature in other countries.

To have the socialists come on so strong and in some way insinuate that somehow I am being dishonest when I raise these points and that I am back in the eighteenth century, I find most remarkable. Clearly we seem to tramp perhaps almost inadvertently on the toes of the socialists when we get on to the question of the capital gains tax. As you will recall, I had simply quoted certain things that Mr. Asper had said in a column in the *Globe and Mail* concerning the capital gains tax, not agreeing or disagreeing particularly with Mr. Asper, but rather stressing the fact that if the government, through the CDC, is willing to back Mr. Asper with a \$7 million investment from the people of Canada, surely the government would pay great heed to what this former Manitoba Liberal leader has to say concerning the very facts we are reviewing in this clause. I was quoting Mr. Asper in the belief that that would be one of the few authorities in Canada with whom the Minister of Finance would immediately agree.

I would like to continue to quote some of the statements made by Mr. Asper as reported in that article. You will recall that it was generally pointed out by Mr. Asper that the capital gains tax is contributing to the shrinking of the Canadian pool of capital so necessary to maintain a growth rate which could reduce our ever increasing unemployment. In commenting on this glaring deficiency Mr. Asper, as reported in the article to which I referred, said the following, and I hope the minister will be ready for a question after I have read the quote. Mr. Asper asked:

Is the dislocation cost of taxpayer compliance, the bureaucracy of keeping books and records, etc., really worth it for so little revenue?

I would like to put that question to the minister. Is the cost of taxpayer compliance, the bureaucracy of keeping books and records, etc., really worth it for so little revenue?

**Mr. Macdonald (Rosedale):** Mr. Chairman, for reasons of equity, as stated, I think it is sound to have the tax there. I think that in terms of equity it is well worth it.

● (2130)

**Mr. Stevens:** I wonder if the minister could go further. Using the words of Mr. Asper, what positive effect would a revision of the law have on investment patterns, risk taking capital, job creation, and general economic growth? Those are