

Taxation Reform

Finance has ever made a proposal that would leave future successful Canadian enterprises more vulnerable to United States take-overs.

Some hon. Members: Hear, hear.

Mr. Stanfield: I hope the Minister of Finance does not run into Walter Gordon in a dark alley, because he might not come out. The white paper makes a distinction between shareholders of so-called closely held corporations who are usually closely linked with management of the company, and the general run of shareholders who hold shares in the larger, more widely held corporations and may have no connection at all with management. I understand that distinction; we all do. The difficulty is that the minister has applied the same distinction with respect to those shareholders who, in the larger, more widely held corporations, are connected with management—in order words, the controlling shareholders. The minister has applied standards that may be valid for the general run of shareholders to individuals or groups which control a Canadian corporation, and that is likely to have disastrous effects for this country.

I want to see someone on the government side of the House get up and defend in detail the implications of the confused thinking behind this proposal. If a Canadian, or a group of Canadians, begins a company—a new mine, let us say—and, in order to raise capital and develop the mine he sells shares which are listed on a stock exchange; and if the mine is one of the relatively few successful mines which in the past have strengthened the economy of the country and as a result its shares rise substantially in value over a five-year period, I ask, how is the controlling shareholder, or shareholders, to pay the heavy appreciation tax? Generally, that shareholder will have to sell shares in the company in order to pay the tax, and will thereby risk losing control of the company. If he does not lose control after the first five years when the appreciation tax is imposed, he will very likely lose it after the second five years.

Mr. Woolliams: That is what the minister wants.

Mr. Stanfield: It is difficult to conceive of any proposal that is more absurd on the part of any government that has the slightest interest in maintaining, let alone increasing, Canadian ownership and control of Canadian

[Mr. Stanfield.]

resources and enterprises. This will also encourage the take-over of closely held corporations, because closely held corporations will not be able to raise capital by listing their shares in the future. They are not going to take that step because it will be irreversible if the white paper proposals are adopted. If they need capital to expand, they are going to sell out rather than enter the trap set by the Minister of Finance.

• (2:20 p.m.)

I am not suggesting the successful Canadian controlled corporations ought not be subject to taxation on realized capital gains. I say it is absurd for a government of Canada, talking about a Canada Development Corporation in order to maintain control of Canadian corporations, to propose a measure which will vastly increase the difficulties of Canadians keeping control of Canadian companies.

The measure proposed by the government will encourage foreign take-overs of Canadian companies, Mr. Speaker. This would not be offset by the establishment of a number of Canada Development Corporations. The minister talked about the “locked-in” provisions. This kind of difficulty applies even to closely held corporations. There is no argument that it applies less to widely held corporations. If there was ever a half-baked proposal to a country concerned about foreign ownership, this is it, Mr. Speaker. This proposal will make it virtually impossible for Canadians to maintain control of successful enterprises, be they mining or manufacturing, and will result in a depreciation of the shares.

There are many other points, Mr. Speaker, but why must the minister apply this capital gains tax to the homes of ordinary Canadians? I understand he does not expect to receive any revenue from this. The result will be that everyone will be snarled up in a lot of red tape.

Some hon. Members: Hear, hear.

Mr. Stanfield: I think the committee should take a good look at that. The minister will forgive me, and the House will understand, that I am not dwelling on those aspects of the white paper that I approve of, although I did mention some. I think we can take it for granted that the members of the government will overcome their natural modesty long enough to draw attention to the good points, perchance even to exaggerate them slightly.