

Income Tax

The Deputy Chairman: Shall clause 1 carry?

Some hon. Members: Agreed.

Mr. Knowles (Winnipeg North Centre): On division.

Clause 1 agreed to on division.

Clauses 2 to 10 inclusive agreed to.

On clause 11.

Mr. Stevens: Mr. Chairman, clause 11 is one of the clauses in this bill which touches upon capital gains. I believe the clauses which touch on this are clauses 9, 11, 27, 31 and 54. I wonder if the minister can tell the committee what has been the experience with regard to capital gains. How much of a revenue producer has it actually become? If we review the record, we find that there was considerable comment at the time of the Income Tax Act revision regarding capital gains tax, and the then minister of finance, Mr. Benson, felt there would be a substantial capital gains tax revenue from this source. I think the time has come, now that we can look at two or three years of the record, to see exactly how remunerative this tax has been.

Mr. Macdonald (Rosedale): Mr. Chairman, I wonder if we are talking about the right clause. This clause is with regard to recaptured depreciation. It is consequential on the already adopted clause 3(1) by virtue of the new recaptured appreciation rule. In that clause, section 44(1)(c) of the act becomes redundant and is therefore repealed.

● (2020)

Mr. Stevens: Mr. Chairman, as I indicated, capital gains is indirectly covered by various clauses in this bill. Whether this is the correct clause or not, I was hoping that the minister would have some comments tonight on the general subject of capital gains. I do admit that perhaps clause 11 is not the most appropriate on which to deal directly with capital gains but perhaps the minister could indicate what clause he would raise it under if he does not want to make comments with respect to clause 11.

Mr. Macdonald (Rosedale): Mr. Chairman, there is no substantial change in the capital gains but I am advised that clauses 14 and 15, which deal with the principal residence rule, might give an opportunity to talk about the subject.

Clause agreed to.

Clause 12 agreed to.

On clause 13.

Mr. Macdonald (Rosedale): Mr. Chairman, this amendment is consequential upon the proposed amendment to section 100 contained in clause 39 of the bill. It will ensure that appropriate adjustment will be made to the cost base property as a right to receive partnership property acquired as a result of the death of an individual by a taxpayer who is not part of the partnership. The amendment is applicable to 1970 and subsequent years. I should like to ask one of my colleagues to

put the redrafted amendment, as a result of certain discussions about this.

Mr. Lalonde moved:

That Bill C-22 be amended

(a) by adding thereto immediately after line 5 on page 13, the following subsection:

"(5.1) Paragraph 53(2)(o) of the said Act is repealed and the following substituted therefor:

'(o) where the property is a right to receive partnership property within the meaning assigned by paragraph 98.2(a) or 100(3)(a), any amount received by the taxpayer in full and partial satisfaction of that right.;

and

(b) by adding thereto immediately after line 31 on page 13, the following subsection:

"(11) Subsection (5.1) is applicable to the 1972 and subsequent taxation years."

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Lalonde) agreed to.

Clause 13, as amended, agreed to.

On clause 14.

Mr. Stevens: Mr. Chairman, if I may now take up the question I originally put in clause 11, I ask the minister for some indication of what has been the actual experience with respect to the capital gains tax revenue? We have had two or three years' experience of it now and I think it would be appropriate for the minister to indicate if this has been a significant source of revenue for the government or if it has been a rather disappointing revenue producer?

Mr. Macdonald (Rosedale): Mr. Chairman, I am afraid I cannot give actual figures but I think I could make a generalization about the experience. The revenue that was anticipated has not been attained principally because of the performance of the stock exchanges in recent years. Since share values, rather than appreciating, have dropped in many cases even below the base year, there has not been the same capital appreciation and therefore not the same capital gain as was anticipated.

Mr. Stevens: I am sorry that the minister has not been able to give us some figures, Mr. Chairman, but perhaps as the debate goes on his assistants will be able to produce them. I understand that the net take by both the federal government and the provinces with respect to capital gains tax was a mere \$54 million in 1972 and only \$90 million in 1974. I say "mere" in terms of the \$40 billion odd budget that the government has now proposed.

In view of the statement that the revenue has been a bit disappointing, and the minister attributes that in part to the lack lustre performance of our stock exchanges, could he indicate if his department or other branches of government have done any review to determine to what extent the thought of a capital gains tax has been a deterrent to investment in the country? As I understand it, many businessmen are disturbed