

Taxation Reform

over a lifetime on the chance that one might want to sell the house some day and just might get stuck with the capital gains tax.

Another feature of the proposed formula set forth on pages 38 and 39 of the white paper is that it will tend to freeze home ownership in cities where there is an opportunity for greater mobility. I have a house where five children have their own bedrooms but the day will come when the children have departed and my wife and I will have to consider selling and moving into smaller quarters.

I think the proposal will be to the disadvantage of young families in cities such as Halifax, Montreal, Toronto and Vancouver where there is a tremendous need for housing and costs tend to rise sharply. Another effect will be inflationary and increase the cost of homes because the vendor will most likely calculate the capital gains tax and automatically add it to his selling price. This has been done with other taxes. Finally, it is the buyer who bears the brunt.

These are points that the committee must consider, and I hope it can come up with a much better formula than the one suggested in this white paper. As far as the ordinary buying and selling of homes is concerned, I have no objection in principle to that being studied as a source of new revenue for the government of Canada. Finally, consideration and care should be given to the administrative problems that will arise as a result of this white paper on taxation. I quote from a study by Professor A. R. Ilersic, commissioned by the Vancouver Board of Trade and dealing with several aspects of the British experience with the capital gains tax. At page 13 of the report the Professor makes this point:

The administrative burden of the capital gains tax on the taxpayer and his advisers is no less than it is on the revenue staff. The search for records to determine valuations, the paper works and effort involved in merely agreeing a gain or loss which may in fact not be chargeable, is quite disproportionate both to the return in terms of the yield of this tax and the fees obtained by the practitioner.

On the previous page of the brief he stated:

One of the most frequent criticisms of the capital gains tax has been that the yield from this impost is very small; indeed in the opening years it was derisory. On this point a comment by Mr. George Cyriax in *The Financial Times*, the leading financial newspaper in Britain, merits quotation. "On a very modest estimate the cost of mastering the new tax system (i.e. the 1965 Act) by government departments in its preparation and amendment, by accountants and companies in business time, and by private individuals in completing the new and complex returns at home—must already have gone well

above £100 m." Shortly after this note appeared in *The Financial Times*, the financial secretary to the treasury announced that in the 18 months to October 8, 1966 the yield from the new capital gains tax was £17 m. It is asserted that the cost of enforcing the tax probably exceeds the yield therefrom but when this argument has been put to treasury ministers the usual answer is given and it is thus impossible to verify the truth of this criticism.

Then, he pointed out that the yield from the capital gains tax for the year 1967-68 rose to £15.5 million although it was expected it would reach £30 million. In 1968-69, it reached £47 million. There was a stock exchange boom in the United Kingdom in 1968, so the yield might go above £136 million for the current financial year. I suppose in view of the difficulties in the stock market recently, in the coming year an attempt will be made to recapture some of those dollars paid out in taxation. I do not have time to read all the Professor's comments but obviously where you are dealing with valuations involving homes, considering plumbing bills and the like and trying to determine whether or not there was a capital gain, you are going to have the largest bureaucracy to achieve the smallest possible return to the revenue of Canada.

So, sir, I think the capital gains tax on homes of Canadians should be rejected by this Parliament as iniquitous and as an anathema. Even if every consideration is given to making it as painless as possible it is going to demand such an amount of red tape and bookkeeping, such arguments between the home owner and the Department of National Revenue that it will be regarded as a nuisance tax, impossible to administer and one that cannot be applied to all vendors in any event. The return would be so small and the result so michievous that it should be rejected out of hand, and that is what I suggest to the committee.

• (12:20 p.m.)

Mr. Murray McBride (Lanark and Renfrew): Mr. Speaker, I shall not take too much of the time of the House. Having heard the hon. member for Ottawa West (Mr. Francis), it seems that it might be very useful if some of us who are in favour of the white paper on tax reform were to put our remarks on the record. I must confess that this issue, more than any other since I have been a member of this House, has been instrumental in bringing large numbers of letters to me. Most have been very much in favour of the white paper. I note sadly that many of these communica-