

*Income Tax Act*

When you put too much pressure on it, it does not bend; it cracks.

Another reason for this inflexible attitude was that the oil patch was too far away from central Canada. Because oil development was happening a long way off, those people here who were making the decisions did not understand what was involved. The Department of Finance officials did not understand the difference between conventional oil production and the production of oil from tar sands. In their original conception, both forms were lumped together in the most amazing way. Maybe now, after some exposure, we will get a better understanding of the matter.

A lot of people claim that foreigners are making capital gains, that somehow or other this is totally wrong, and that they should not escape free. Should a Canadian firm be taxed because it develops an industry in a foreign land?

**Some hon. Members:** Sure.

**Mr. Lambert (Edmonton West):** These people here, Mr. Speaker, are the original goose killers, without understanding whether the eggs are made or laid.

**Mr. Knowles (Winnipeg North Centre):** Even the geese are off the gold standard now.

**Mr. Lambert (Edmonton West):** I have seen some rather naïve discussions in some newspaper columns with regard to these tax proposals. Look at the volume of comment that has developed with regard to Imperial Oil, lamenting that we cannot go and tax Standard Oil of New Jersey because of the increases in Imperial Oil assets. Of course, you are never going to be able to do that under a Canadian capital gains tax. The man who wrote that sort of stuff should start back at square zero.

During the committee hearings on capital gains we made a great attempt to bring some fairness and reality into the original proposals. Mr. Speaker, you may recall that the principal residence was going to be subjected to tax, after some allowances. It is true that a principal residence will still not be entirely free from attracting capital gains tax at this time, although in some cases it may do so, but the proposed rates have been halved.

I remind hon. members opposite that when I moved an amendment to exempt farm lands and ranch lands from capital gains tax when sold for bona fide farming purposes, the Liberal majority on the committee voted against my amendment and defeated it. We will have to return to that matter. There is a complete failure to understand the problem when, out of the blue, the government thinks it can institute capital gains tax on farm lands with any degree of equity towards the people who have farmed those lands, or towards those who intend to farm the lands.

We have had quite a reaction to this bill from the co-ops. I do not know what the house is going to decide, but it seems to me that the government has advanced its proposals after looking at some of the largest co-ops in the country, organizations which have lost their co-operative origins, that operate in the hundreds of millions of dollars class, their boards of directors being far removed from the ordinary members, in the same way as the boards of

[Mr. Lambert (Edmonton West).]

the biggest multinational corporations are far removed from the shareholders.

Unfortunately the government's proposals gather up into the same net hundreds if not thousands, of small local co-operatives. I am speaking of co-operatives organized on a local self-help basis.

**Mr. Broadbent:** You are defending socialism now.

**Mr. Lambert (Edmonton West):** If the hon. member thinks that socialism is the co-op movement organized on a local basis, he is one of those academics who got lost in the economic woods.

Then there are the proposals with regard to child care expenses. Unfortunately, there are a number of limitations proposed that will disappoint a great many people. There is the necessity for people who do the child caring to furnish receipts, and there are provisions with respect to income tax, the Canada Pension Plan, and blood relatives under the age of 21 years. I ask, why is the age of 21 years stipulated since a number of provinces now insist that people are adult at the age of 18 years? The federal government has not kept in tune with Alberta, Manitoba and Ontario, in which persons aged 18 are now adults. Under the federal government proposal, persons between the ages of 18 and 21 years are somehow left in the land of limbo, and apparently under these proposals any blood relative under the age of 21 is going to be disqualified. We will find inequities in working allowances and moving allowances. I can think of some office building in the centre of this city where there may be a large law firm with a number of young staff lawyers. They will be entitled to working allowances but a young man or woman out of the same graduating class, who may be in a struggling partnership in one of the less attractive sections of the building, will not be entitled to those same working expenses, even though they be incurred. This does not make sense.

• (5.20 p.m.)

Next, we come to medical benefits. In the provinces of British Columbia and Alberta, if medical premiums are paid by the employer, as they and other fringe benefits are under many collective agreements, they become additional income and are taxable. While the payment of premiums is taxable, the benefits, or shall we say the expenses, that are paid on behalf of the individual are disallowed under the medical expense allowance. A lot of people have not heard about that.

With regard to small businesses, we have here a partial unveiling of the government's policy with regard to foreign ownership. The differential in favour of small business is limited to Canadian owned business. All foreign held business of a corporate nature, even though it may be just a small distributing agency, is disallowed from the more favourable rate. I know of scores and scores of businesses, Mr. Speaker, which are small subsidiaries of foreign firms—French, Belgian, British, or even American—that have been domesticated and are presently entirely Canadian. One could be the distributor for an English firm of tool manufacturers, but the net result is that the business will be closed and I suppose the government will be proud of that.

**Mr. Woolliams:** They have a fair record in that regard.