

*Income Tax Act*

institute a capital gains tax in this form. It is a social injustice in its impact upon the average Canadian and we should look at this proposal much closer than we have.

There are several things we could do to lessen the impact of this heavy, cumbersome and complicated new system whose effects none of us can fully appreciate. Some people have mentioned them. I shall only touch lightly on them because my time is just about up.

**Some hon. Members:** No, no.

**Mr. Nowlan:** I could go on. I am very concerned about this, Mr. Chairman, because the average Canadian does not appreciate what is happening. But here is one example. As I understand it, the federal government will vacate the estate tax field because there is to be a capital gains tax. Yet we know that the provinces have already moved into the estate tax field. How, in all conscience, can we think of imposing a capital gains tax on top of estate tax in the absence of any abatement procedures for avoiding double taxation? If the parliamentary secretary and his minister think this is the type of just society Canadians want, I believe they will get a sad awakening at the right time and I hope it is not too far off.

**Mr. Peters:** Mr. Chairman, I have been very interested in the comments which have been made in the last two days. They mostly reflect on the fact that the government does not appear to be cognizant that one very large segment of the economy does not fit into the thinking of most of the rest of the economy. I was interested in listening to the last speaker who raised a very interesting point. It is one I do not understand and I should like to understand it in its relationship to the workers and those in the organized labour force in this country, particularly those who are no longer at the end of the economic scale but have reached a fairly high level of income.

Despite taxation and despite the fact that they have enjoyed no exemptions of any description, no deductions with respect to the cars they must use in order to go to work, nothing written off for the lunch-pail or the tools of their trade, they have been able, as a result of their own efforts, to buy a house. And because of inflation, the house for which they paid \$15,000 or \$20,000 turns out to be priced on valuation day at \$35,000 or \$45,000. They have done nothing except live in the house and pay the mortgage, which is not unrealistic in relation to the total price at which the property is valued. But they will find themselves in some difficulty as a result of the capital gains proposals in this bill, just the same as other segments of our economy.

A long time ago I was in favour of a capital gains tax. I came from a mining area and could see no legitimate reason why a person who played the stock market should not pay tax on his winnings of \$10,000 while I worked in the mine and earned \$5,000, of which a considerable portion was taxed. I have always been in favour of the speculator, the man who manipulates money, paying tax on the return he receives since as far as he is concerned it is income, the same as my \$5,000. Yet he did not pay tax and I paid a considerable amount. He could afford to pay a considerable amount of tax but did not pay any, whereas I was in the position where I could not afford to pay tax and was paying a sizeable portion of my income in tax.

[Mr. Nowlan.]

• (9:30 p.m.)

The workers of this country over the years have put their savings away. We are known as a nation of savers. One of the United States president's advisers has said that Canada influences 25 per cent of the control over the United States money supply, and he is really talking about one trait Canadians have developed which we thought was admirable, namely, that of saving money. We invest only in blue chip stock, mainly in insurance companies and other forms of retirement investment. We have paid very dearly for this because of the manipulations of government over a period of time. I think it is safe to say that an insurance policy bought in 1939 or 1940 with a value on maturity of \$1,000 would only have the purchasing power today equal to a few months' old age pension. The purchasing power of our money today is very limited, yet no recognition of this is given to those who have saved. People who spend everything they earn are in a much better position since the state will provide for them in terms of today's dollars, not in terms of dollars saved.

I do not think it has ever been suggested to me by those who are familiar with the purposes of a capital gains tax that such tax is similar to succession duties or estate tax levied on every Canadian who dies. It was to be a substitute for income tax or was a tax on income which previously had been tax free. The previous speaker talked about buying a lottery ticket for \$2.75 and winning \$100,000 on the Irish sweepstake, which amount is tax free.

**Mr. Woolliams:** There are only about four a year, though.

**Mr. Peters:** I grant that this does not apply to many people, and since it is such a limited activity perhaps we should include it in the allowances as a sop to the poor people of the nation. Then we have the poor cleaning woman in England who buys a football pool ticket for two pennies, hoping to win sufficient money to retire from her job that does not pay sufficient to enable her to buy clothes and keep warm in her apartment. In my opinion this is the type of situation where we should apply a capital gains tax.

**Mr. Woolliams:** How sick can you be!

**Mr. Peters:** I am always surprised when I find people from a certain area putting more faith in the buying of a lottery ticket than in anything else. These play people play it big. They are rich today, broke tomorrow, but smile just the same because that is their way of life. It takes all kinds to make a world. A transformation in the thinking of this government has taken place within a very short time. The government introduced an estate tax with a great deal of fanfare and announced that when a man died his widow would inherit his estate free of tax, at least up to a certain level. That money would be hers for the rest of her life, and it was not until the estate was passed on to other members of the family that tax would be paid, though a certain amount was tax free.

Then within a period of two years, before the Department of National Revenue had had time to assess the effect of that tax, whether it had been abused or lent itself to abuse, the government brought in a half-baked proposition that removed the very protection it had made so