

Income Tax

Finance. We are not opposed as a party to the principle of taxing income on a fair basis, but we also have another principle. We are not opposed to universal programs because we know they are necessary. But we want people to look after their own future as individuals. If people are to invest in their own country we must make certain no penalty is imposed upon them beyond an equitable demand for payment of tax on income.

Cases similar to those raised by the hon. member for Esquimalt-Saanich come to the attention of many of us every week. We hear from people who are trying to save as individuals by purchasing equities in equities in addition to their pensions and universal plans. They reach the last ten or 15 years of their work life and realize that they have a few equities which they would like to put into a more liquid position so as to be better able to retire. They find out, for instance, that they own stocks which have appreciated slightly during the ten or 15 years they have held them, despite the drop in stock market prices in the last few years. They want to change them into investment certificates and other forms of cash that retirement homes want before they get into them—they do not want any stock in a mining company—and they make a capital gain of a few dollars. The capital gains tax then comes into effect.

If you look back you will find that most of these people bought their stock long before valuation day, and valuation day levels are so low that there is a capital gain. When they translate this stock-type of ownership into other types of ownership, say investment certificates or bonds, they have to pay a capital gains tax, which has the result of reducing their estate to a lower figure. As a result, when they turn around and buy investment certificates or other stocks which are more readily saleable, they are in a negative position.

My proposal, which I make quite seriously to the minister—I have made it on earlier occasions to his predecessor—is that in the application of the capital gains tax in accordance with the principle of equity, where a person has held a portfolio and switches from one stock to another, from one stock to a bond, or from one stock to a certificate, in an attempt to get into a better position, as long as he does not take that return as income but puts it back into another investment, the roll over principle should apply, and it should not be taxed. I think that proposal meets the human needs expressed by the hon. member for Esquimalt-Saanich. It meets the equity principle which we all support, and I believe it has merit.

When I raised this suggestion some years ago we had just started our experience with the capital gains tax and the problem had not arisen. But any honest, sincere, hard-working member of parliament who is trying to serve his constituents by bringing before the House examples of things which are inequitable and unfair to these people, because they are not being taxed on income, they are being taxed on their capital savings, will recognize the justice of what I am saying. The acceptance of this roll over principle would make the capital gains tax more equitable and encourage more people to continue to invest in Canada. There are many arguments which

might be used to support this proposal to use the roll over principle so that the capital gains tax will not apply until investments are sold for income purposes.

Where there is income there should be a tax, and on that basis the Conservative party has supported the capital gains tax, but we are objecting to the application of this principle in a way which is discouraging people from getting into the equity field. In its place must be a scheme which is flexible enough not to hurt people as they approach retirement. I might add that this situation affects not a few thousand people but 20 or 30 per cent of the total population, those who at present are striving to get something in addition to the universal plan to allow them some dignity in their retirement, while at the same time providing capital for the developing needs of the country. I do not think we should punish these people in the course of the roll over procedure.

The minister should take a look at this proposal and ascertain whether it could not be followed with a minimum of bureaucratic complication; for example, if the money were reinvested within a certain number of days or weeks there would be no capital gains tax payable. By getting more people into capital investment now, the minister will be able to say in the long run he is getting more money out of the capital gains tax, and that will make the NDP happy.

Mr. Clarke: Mr. Chairman, I thought I had an idea of the purpose of the capital gains tax, but the leader of the New Democratic Party has put that understanding into question. Perhaps the minister would give us an idea of what the purpose of that tax was in the mind of the government, whether it was, as the leader of the New Democratic Party says for the sake of fairness or equity, or whether it was to raise money for the treasury.

Mr. Macdonald (Rosedale): I answered that a few moments ago. I said it was a question of equity as between taxpayers.

● (2120)

Mr. Clarke: Yes; I thought there was probably some method there to raise money.

I would like to ask the minister about his earlier comments on the value of the investment in a residence. I forgot the words the minister used because it was a few minutes ago, but he implied that the investor possessed a good investment in his own home. I recall that the minister's predecessor had speculated a year or two ago on the imputed value of the taxpayer's investment in his home. At that time it seemed to me that the minister was trying to find some method that would be usable to tax the value that the investor obtains by living in his investment, so to speak, when he invests in his home rather than selling his home, as the hon. member for York-Simcoe had suggested he might do, paying the tax and investing in securities of one sort or another which then attracted tax and reduced the taxpayer's ability to pay rent on the residence of his choice.

I think I heard the minister say earlier that the taxpayer was better off renting a home on which he did not have to pay for