

*Taxation Reform*

value but an illusory inflationary gain, surely cannot be defended. I know it is suggested there is no logical distinction between taxing inflated incomes with an income tax rate and a capital gains rate, but I think there is a great difference, Sir. The income tax rate is the rate applied by Parliament each year affecting the income of any given year, whereas the capital gains tax is the tax applied to a change in value which may have accrued over many years. Serious as it may be, inflation automatically involves a reduction in the value of exemptions for income purposes and automatically involves an increase in tax rates. This is something Parliament can deal with each year, whereas a tax on a capital gain that has accrued over the years is in a very different category. So, sir, this is an aspect of the proposals that must be given very serious consideration.

Secondly, the capital gains tax to be imposed should be related to the rest of the tax system from the point of view both of incentives and equity and, especially, it should be related to the estate tax. In other words, the introduction of the capital gains tax should be accompanied by a review of the estate tax structure which was adopted during the last session, and especially the way that structure affects smaller and medium sized estates. May I remind the House that under the new proposals, and even after they were modified they were opposed by every opposition party in the House, the estate tax reaches a level of 50 per cent at the \$300,000 estate level, whereas formerly that rate applied to estates of \$1,800,000. Furthermore, the \$300,000 estates are worth that much less in depreciated currency. This is something that must be investigated. Introduction of a capital gains tax ought to involve a re-examination of our entire estate tax legislation.

Thirdly, the averaging period proposed in the white paper must be examined. It should be extended over a longer period, and the averaging should be a real averaging without the so-called threshold amount—it might be called a strangle hold amount—proposed in the white paper. Unless there is a longer averaging period, farmers and others, for example, who hold assets after a lifetime's work are going to suffer very severe hardships. I would hope that at least the government might consider something in the nature of a moving ten-year average so that a person—say, a farmer in the future, who sells his farm at the age of 65 in order to retire—would not suffer from having kept his farm,

thereby possibly deriving a low return on his investment and a small income, over 20 or 30 years. That is practically a lifetime. This will turn out to be a confiscatory rate of tax if the inadequate averaging provisions suggested by the minister are adopted. Indeed, the present proposal of the government may be confiscatory. It may be said that difficulties would be created in lengthening the period; but the government so much as admitted in its white paper that even with the five-year averaging proposal, it will no longer be possible for the ordinary citizen to compute his taxes. They will have to be computed by the tax gatherer. If that is the case—

**Mr. Benson:** It is not.

**Mr. Stanfield:** Is the minister shaking his head?

**Mr. Benson:** It does not have to be so computed. The hon. member could compute his own.

**Mr. Stanfield:** One could compute one's own tax, but the government recognizes in the white paper that it will no longer be feasible for some taxpayers to do so, Mr. Speaker, because the taxpayer in many cases will have to rely on the tax gatherer in computing taxes. If that is so, then why not make the averaging period as equitable as possible? Why not make it longer, so that the fellow who works an asset like a farm all his life will not get kicked in the teeth at the end of his working life.

**Some hon. Members:** Hear, hear.

**Mr. Stanfield:** Fourthly, I wish to state my opposition to what I call the revaluation tax in its present form. I am speaking of the appreciation tax which is to be imposed every five years. If a person owns a piece of real estate or a work of art or some shares in a closely held company, he will pay a capital gains tax if and when he sells those assets and realizes a profit. But if a person has some shares in what is called a widely held corporation, which might be described as the sort of company that is listed on a stock exchange, he not only pays a capital gains tax if and when he sells those shares at a profit but, in addition, every five years he has to pay a tax on one half of the assessed increase in value of those shares he has held and not sold; losses, of course, being deducted. This is actually a value appreciation tax, a tax on capital, a tax on the growth that Canada needs. I say in all sincerity, sir, that no Minister of