

the savings may be in the hundreds, or even thousands of dollars. It all depends on the category in which the taxpayer concerned is already placed.

I agree with the minister, although I recognize there is some argument from those to my right that there may be a measure of inequality here. In my opinion, that is the way the income tax structure should be rewritten and it should be done in such a way as to take out a lot of the junk now in it. I could read some paragraphs to you, Mr. Chairman. It would defy Shakespeare to tell you what they meant. There is one right here:

(a) Property, the proceeds of disposition which were proceeds referred to in the subparagraph—

Then it gives about four places where you can look it up. It all means absolutely nothing except to a lawyer who is going to take a case involving, say, the selling of a property where the proceeds are used for a purpose related to something else altogether. No wonder people just pay their income taxes without ever knowing what for. It is like receiving a parking ticket or speeding ticket; you never go to court to fight it because you know you will not win the argument anyway.

● (1632)

Some bright professor at Osgoode Hall had his students examine this bill and write a critique on it. I gather each student dealt with a different section of the bill. I should like to read part of what was said about this clause. I think the minister may be interested in it since he believes in national unity. The conclusion is this:

Unfortunately the changes are proposed at a time when they might inadvertently help the separatist cause in Quebec. Many firms are already leaving that province and setting up business elsewhere. These tax changes will make it even easier for them to make such a move.

He is referring there to the roll-over provisions. In talking about the present law, he comments:

When a taxpayer disposes of capital property he must pay tax on any capital gain or recapture of capital cost allowance that arises from the sale. There are provisions for exceptions with respect to involuntary replacements such as those that occur when property is destroyed by fire and replaced or rebuilt with insurance proceeds. If the replacement occurs within the time specified by the act the taxpayer can defer capital gain or recapture to the extent that the proceeds of disposition are used to acquire a replacement property.

All very simple, I presume.

There are no provisions for a deferral for any other reason; for example if a farmer sells his farm in order to buy a larger one he will have to pay tax on any capital gain arising from the sale.

Hon. members will be aware that there are cases where even a different use of a property results in an involuntary sale, and capital gains tax has to be paid. These comments are by a young person at Osgoode Hall who one day will be one of the legal beagles of our society. Some of these young students will find their way into provincial legislatures, and some into the federal parliament. Others will end up as the civil servants who make these stupid laws and hon. members will be surprised to find that, even though they are broad-minded today, five years from now they will be as narrow-minded as the rest of their colleagues in that particular field. He then commented as follows:

Income Tax

According to the budget document "The existing tax treatment of voluntary replacements is an impediment to desirable relocations by businessmen and farmers." In this respect the change should increase the mobility of capital and encourage the expansion of small farms and businesses into larger more economical units.

The previous speaker was inquiring about that.

(2) Presumably, since the provisions are not confined to small businesses and farmers, the largest benefits will flow to large business relocations. A major merchandiser might close a downtown store, relocate in a plaza and defer capital gains tax on the sale of the downtown location, or a business may take advantage of local subsidies encouraging relocations in another community. While there may be good social arguments in each case that the relocation is not "desirable" the companies will still benefit.

(3) A "replacement for a former property" is defined in the proposed bill as property which "... was acquired by the taxpayer for the same use as the use to which he put the former property". This will undoubtedly cause problems of interpretation. How "same" must the use be? Could, for example, a businessman sell land and buildings in the city and purchase unimproved land in the suburbs with the intention of building on it and be eligible for the tax deferral?

Here is a young lawyer asking the lawyers whom the minister has at his command how much sameness there must be. I presume he is asking these questions rhetorically of his students, but be that as it may, it would be nice if a young student, before getting his degree, found out what "sameness" was. How should this clause be interpreted? As for a businessman selling land and buildings in the city and purchasing unimproved land in the suburbs, my guess is he would be eligible for a tax deferral. This is how all developers make their money. They pretend to be farmers although they are not competent to farm, but they defer taking a decision on their property and in that way get a deferral. If I can give a non-legal opinion, I would say they could get a deferral here. This professor continues:

Such interpretation problems can be resolved by litigation—

Which will make his job interesting and very rewarding.

—but in the meantime there will be a degree of uncertainty that is not conducive to good business planning.

This is why you need lawyers, Mr. Chairman, one who is certain and one who is uncertain. Then you have that little man with the odd hat and gown down at the front who judges which one is more uncertain about the question than the other. Almost every word in this legislation requires a legal definition and leaves a great deal of uncertainty. I continue:

(4) The gain deferred in effect provides an interest free loan to the business. The benefit gained from such relocation may or may not justify this form of tax subsidy.

I should have liked him in his tender, developing years to say whether he thought it did or did not, but I suppose the fact that he raises the question is an indication that he questions whether or not this is good practice.

(5) There may be problems with anticipatory conversion. Can an ongoing business purchase new premises and move into them gradually, then sell the old location and still claim the tax relief? This would seem to be a legitimate and often necessary step and on principle would comply with the intent of the provisions. However the act does not specifically provide for such transactions and on a literal reading such deductions probably would not be allowed.

Then he adds his last comment, which I quoted first, that allowing roll-overs of this kind and transfers from one province to another will help the separatist cause, and that many