

Government Orders

Mr. Simmons: Madam Speaker, I thank my friend from Gander—Grand Falls. He is perfectly right. The numbers have doubled. He is not surprised and I am not surprised. I am not surprised because that has been one of the objectives of this administration, to see to it that the rich get richer and the poor get poorer.

The statistic that I keep quoting is this. Since 1984, if you earn \$100,000 or more, your total federal taxes have gone down by \$1,200. If you earn \$20,000 or less, your total federal taxes that you pay have gone up by \$1,600 a year.

As I said with the two bills, they are pummelling the poor and pampering the rich.

Mr. Ray Funk (Prince Albert—Churchill River): Madam Speaker, I have been listening with great interest to the exchange between the hon. member for Burin—St. George's and the hon. member for Windsor—St. Clair.

I am still not quite clear what the intellectual process has been that the member for Burin—St. George's has gone through in arguing that in 1972 it was totally acceptable and in fact necessary for a government that was starting to pile up deficits at that point to preclude any payment by the wealthy families of this country to the public revenues of this country through this family trust. Why was that such a good idea and such a necessary measure in 1972, and is now so abhorrent in 1993?

• (1220)

Mr. Simmons: It will not be difficult to answer that particular question. First of all, I said I was not here in 1972 and I have no idea what the rationale for it was. I also said that if it needed any time at all, 21 years was surely enough.

Mr. Don Blenkarn (Mississauga South): Madam Speaker, I am not going to deal with the entire bill here. The bill is a rather extensive annual bill dealing with income tax amendments that have been found necessary as a result of the activities of the department of revenue. There are necessary changes that have to be made from time to time to clean up problems in the act. One of the problems we have in the Income Tax Act is the question of the capital gains to be realized on trusts as a result of an amendment, change or provision actually made in 1971 when we created capital gains in the Income Tax Act.

To refresh everyone's memories, as of January 1, 1972 we brought capital gains in to Canada. Today when a

person dies his entire assets are subject to capital gains tax as if he had sold the assets on the public market at the date of his death, the instant before he died. So today when a person dies, one takes the value of his assets from the valuation date of January 1, 1972 and determines what gain has been made on those assets to the date of death and tax is paid at that time on those assets.

The whole problem of trust is a situation that is often misrepresented. Trusts are very, very necessary. As a lawyer in a small town I invariably put a trust provision in most of the wills I drew for families. The reason was very simple. The assets in a family would go from the mother to the father and if both were dead, then the children would have to be looked after. People usually wanted to look after the children equally, but some children would be under 21 or under a certain age and they wanted them to have the assets. A trusteeship would be set up in that case to look after the assets for the children until it became an appropriate time to divide the assets. We almost invariably drew trust wills to make sure families looked after their children.

The objective of this particular series of amendments is to tie down and straighten up, codify and clean up some of the problems that result from the original provisions of the Income Tax Act dealing with trusts.

One of the problems we have right now is that while a trust has to realize its capital gains after 21 years in existence, there is nothing to prevent the roll over of the trust. So you can now roll over a trust to the next situation and then go for another 21 years. Under the current provisions of the statute trusts can be rolled over and rolled over. The consequence of this amendment is to make sure a trust can no longer be rolled over.

The other amendment is to make sure that when the first beneficiary of the trust in the next relationship to the settlor, testator or whoever set up the trust dies, the trust has to be wound up for the purpose of capital gains tax and capital gains tax must be paid. Even though the trust itself might carry on beyond that point, the trust would have to pay all its capital gains at the time on the death of the last person in the first generation. We are trying to clean up what is currently a bit of a mess in the Income Tax Act. The previous speaker mentioned various very wealthy families and how they were going to benefit, but at no point did he specify how they would benefit. He just listed a bunch of names of a lot of people who presumably have wealth. I do not know if they have wealth or not, but I do know what the situation is with many of my own constituents.