

Taxation Reform

is alleged to be public reaction to this paper. I have no hesitation in saying that the overwhelming reaction from the people I have the honour to represent in this House has been most favourable. The broad basis of extending exemptions so that a number of people at the lower end of the income scale would find their taxes either eliminated or reduced is highly commendable. In particular, the proposals for expense deduction for working mothers have been warmly received by many families where the mother has been unduly penalized through not being given tax exemption for the most legitimate type of expense, that of looking after young children.

● (12 noon)

We all know that there is no magic way by which tax money can be produced. When tax relief is granted to a large number of lower income groups, then there certainly will be increased tax loads carried by others. Tax increases are never pleasant and invariably cause some disturbances and dissatisfaction. As the white paper points out, it is important that people who have heavy tax loads should be able to anticipate the impact of these burdens and make their plans accordingly. Uncertainty about future tax measures is particularly disturbing and in many cases inequitable.

I have two suggestions that I hope the special committee will consider. The first relates to a method of establishing evaluation procedures for "V-Day" for purposes of subsequent assessment of capital gains. Briefly, I propose that any taxpayer should be able to file with the Department of National Revenue an evaluation of his or her holdings on V-Day. This should include, of course, valuation on a house or any other important asset. Should the valuation not be challenged by the Department of National Revenue within a fixed period of time, say, for example, one year, then such valuation should be accepted without further question.

The advantages of such a procedure should be quite obvious. It would then be impossible for the Department of National Revenue to go back after a number of years and question valuations that it had failed to screen out in the first instance. Unless some such device is employed V-Day will be a mad period of extensive employment for professional evaluators. Furthermore, the fear that the valuations could be challenged would introduce a complication that in my view would

be unnecessary, unless there is some sort of administrative device to bring certainty into the situation.

As the Minister of Finance (Mr. Benson) himself has remarked, there are built in safeguards to prevent wilful errors by the average person. If his possessions have been valued too highly, then the succession duties will be higher than otherwise. If, on the other hand, his possessions are undervalued then capital gains realized on disposal will be greater accordingly. In general, I believe that most taxpayers would adopt a reasonable approach to evaluating their own assets, and should not be forced to engage unnecessary outside experts to do this work for them.

The second suggestion that I would like to make for the government's attention concerns the administration of the capital gains tax. If the tax is truly to apply on capital gains and not on capital, then some adjustment for inflationary changes must be allowed. My proposal is simply this. Each year at the end of the year the government should declare an official index of inflation for purposes of capital gains tax administration. This figure would be based on consumer price index changes and would be rounded off to the nearest percentage or half per cent. For example, if it had been necessary to adopt such a proposal in 1969, the government might have declared a 4 or 5 per cent inflation index based on this year's experience.

There is already a precedent for this, in fact, in the proposal to allow an exemption of \$1,000 per year while a house is occupied by its owner. This presumably is based on some kind of average formula. For the year 1969, a 4 per cent inflation index on a house valued at \$25,000 would produce the same estimate of \$1,000 as that proposed in the white paper for averaging purposes.

It does seem unfair that a house alone, of a taxpayer's possessions, should be given an annual exemption which bears some relation to an inflation allowance but such exemption is not applied to any other asset. In order to avoid discrimination, I do not see why a widow, for example, who has savings which consist of common stocks and a life-time pension or a variable annuity should be denied an inflation adjustment, and another widow whose assets consist of a house would be given what is in fact an inflation allowance of \$1,000 per year. The restriction of such an allowance to an owner-occupied house, in my view, would introduce a distortion which would have the effect of practically obliging a