

Income Tax Act

only by the confusion of the administrators of the act and bureaucrats in Ottawa. They will be confused about how to administer this part of the act, and thereby other Canadians will suffer. For, Mr. Chairman, I think we are looking at this question from the reverse side. We talk about equity and say that equity means fair treatment. As one of my friends to my left said, a buck is a buck; how do you distinguish between a dollar made through a capital gain and a dollar made from an income-producing job?

We can philosophize at length about concepts of equity, yet I suggest, Mr. Chairman, that in talking about the capital gains tax we are really talking about a social tax. Although I do not have the figures in front of me, I understand that the capital gains tax will produce in the first year \$50 million from individuals and approximately \$80 million from the corporate area.

Mr. Mahoney: It is just the reverse.

Mr. Nowlan: My hon. friend says it is the reverse. I accept his correction: he has listened to more of this debate than I have. Regardless of the figures, if you talk to people on the streets about capital gains, the impression you get is that they think the coffers of the nation will be opened up, that King Midas will walk up and down the street and that we will have money for doing all sorts of things, including money for assistance plans that are designed to help those who cannot help themselves. Actually, we are talking about a social tax. We talk about a capital gains tax when we should be talking about a social tax. The philosophy behind it is that of a social tax, the result being that in the minds of Canadians this tax is cumbersome, vague and completely confusing.

This new tax has been introduced because it will produce revenue which governments obviously need. I am informed that in the United States, a country which has long imposed such a tax and which is beginning to wonder about it, capital gains taxes produce in the neighbourhood of 3 per cent of tax derived from income. While you can argue about the percentage, there is no doubt that as far as the internal revenue service code and the regulations are concerned, the regulations and the code which have implemented capital gains in the United States have, I am informed, trebled. I refer to the code and the regulations necessary to implement the law. There is a blanket of bureaucracy—to produce what? It will produce relatively few dollars as far as the over-all picture is concerned.

• (9:10 p.m.)

I do not think any speaker will disagree that as far as social justice is concerned—the reason we are talking about capital gains—this is where the hypocrisy comes into it. We talk about land and stock speculators and the way to make a million overnight. All hon. members know that in a great number of cases those transactions are not covered by our tax law because they are deemed to be income if you set up the return pattern. There is more hypocrisy and smokescreen about where the capital gains tax is going to hit than I have heard in a long time. That is one of the reasons I am prodded to contribute a few remarks to this portion of the debate.

I am in agreement with anyone who wishes to talk about the social injustice of the land speculator. The Parliament

[Mr. Nowlan.]

tary Secretary to the Minister of Supply and Services mentioned the difference between a passive gain and an active gain. That might open up a whole new chapter of tax law. There is a difference in a land speculator sitting, licking his chops, letting the land value go up and up, hoping to cash in, using some land for farming, some for orchards and part of it for a subdivision. He makes a large capital appreciation. I suggest in large measure those situations are now covered. The Parliamentary Secretary knows that. Notwithstanding that, the number of taxpayers involved in this type of speculation are miniscule.

I listened with great interest to my friend from Grey-Simcoe. He talked about the necessity, from a political point of view of being reasonable to all points of view and how it may be politically incorrect to say "No capital gains whatsoever." You are then accused of favouring special groups. I want to turn the thing around. Instead of talking about social justice necessitating capital gains, against the small number of speculators who are now covered by the income tax law—and the national revenue boys know that—I want to know where the social justice and capital gain is for the widow, retired school teacher, labourer, small businessman and farmer. I will illustrate how it hits them. What about the young couple trying to save a little nest-egg so that they can move out of the syndrome of high interest and/or rent payments in an apartment complex and build a home of their home? They will not be able to do it.

I practised law in Vancouver for seven years. I met with couples, both of whom worked. They paid high rent for their apartment. They were caught in a syndrome whereby under the ordinary tax law it was difficult when they had children to break away from this vicious circle and move to the country. Somehow, some of them were able to save and invest a little, not like the great speculator playing the market day in and day out as a principal source of income but in the small hope that by investing in a little of this country they could get a small return and get out of the apartment and build a small home.

In this chamber we hear speaker after speaker and minister after minister say that we have a new housing program and a new plan for youth. Reversing the procedure of capital gains is not social injustice for the speculator in the stock or land market; it is social injustice perpetrated in respect of capital gains for the widow. How does this affect the widow? Most widows have a principal residence. If a poll were conducted I am sure that most widows would say their principal residence is protected. They think that when they die, the gain that has accrued in their lifetime will not be subject to capital gains and, therefore, the situation is not too bad. However, in reality there are two things that bother people about a principal residence. I have already referred to the situation of a widow. One is that you get one acre of land, and the other is that you must use your residence as a principal residence.

I suggest that for many widows in this country the only real asset after a constructive life of raising a family, having the children grow up and move away and the husband die, is a pension of some sort and a home. What does the widow want to do? She has four or five children scattered around the countryside whom she wants to visit.