

Income Tax Act

The Chairman: Before I recognize any hon. members, I wish to say something. I indicated earlier that it would facilitate debate if I were to make a ruling on the amendment moved by the hon. member for Edmonton West which I took under advisement yesterday afternoon. After the ruling is made, debate can proceed.

Yesterday the hon. member for Edmonton West proposed an amendment in the following terms:

That paragraph (b) of section 3 as set forth in clause 1 of the said Bill be amended by inserting in lines 15 and 21 on page 2, immediately after the word "property" in each said line, the following:

"other than land used in farming as defined in this Act and"

At that time the Chair suggested that the proposed amendment might have the effect of shifting the incidence of taxation. The hon. member for Edmonton West dealt with this aspect when assisting on the procedural problem. I have had the opportunity to read his remarks in *Hansard*, to consider them in the context of authorities and I am persuaded on this point. It no longer gives me concern.

It might be appropriate at this time to suggest to the Committee that some difficulty arises for the Chair in determining the procedural acceptability of some amendments. As the Committee is aware, the House adopted an order to the effect that the ways and means motion which preceded this bill would be set aside. In effect, therefore, the basic ground rules have been altered and it follows that there is some difficulty in applying accepted practices in every case.

As the hon. member for Edmonton West suggested in his argument yesterday, a peculiar difficulty arises because of the arrangement of the bill. There is but one clause in the bill covering a great number of substantive proposals. In other circumstances it might be possible to isolate a major proposal and bring it to a vote. The Chair is of the opinion that the construction of the bill in many cases closes that avenue.

There is, of course, authority for the statement that, in certain circumstances, a provision which has the effect of alleviating taxation is open to amendment in the Committee to further alleviate the taxation. While I have some doubts as to whether or not I should put the proposed amendment, nevertheless, for the reasons mentioned and because, in such circumstances, I feel the Committee should be given the opportunity to decide the question, I am prepared to put the amendment.

The hon. member for Edmonton West moves:

That paragraph (b) of section 3 as set forth in clause 1 of the said Bill be amended by inserting in lines 15 and 21 on page 2, immediately after the word "property" in each said line, the following:

"other than land used in farming as defined in this Act and"

[Mr. O'Connell.]

Mr. Harkness: Mr. Chairman, I do not propose to debate the desirability or otherwise of imposing a capital gains tax in Canada at the present stage of its development, because I am enough of a realist to perceive that the government is determined to impose such a tax and it has a big enough majority to force that decision through in the course of time. Instead, I want to address my remarks to ways in which the present legislation could be improved considerably to make it, in my opinion, much more equitable than it now is.

The chief argument advanced for the imposition of a capital gains tax is the argument of equity: that the tax will produce a greater degree of justice, fairness and equity in taxation than is evident in our present taxation system under which capital gains are not taxed. The example most frequently quoted to try and justify this position is that of the lucky speculator in the stock market who has made \$5,000, \$10,000, \$20,000 or perhaps more. This is not subject to taxation. Compared with the wage earner who is making \$5,000 to \$10,000 a year and has to pay taxes, this is an inequitable situation.

• (4:30 p.m.)

The other chief example quoted is that of the person who owns land on the outskirts of a city. As the city grows, this land is converted from farmland to city building lots. There is a very large increase in the value and the price he receives for it. There are a certain number of people who are lucky speculators. There are more who are unlucky and lose money on the stock market over the course of the years. There are a limited number of people who have made considerable amounts of money because the farmland they owned happened to be on the edge of a developing city. The numbers of people in both these classes are very small indeed.

As far as this bill is concerned, it is designed to catch those people. It will catch these people all right and make them subject to tax on their gains. However, at the same time it will catch and bear heavily on a very large proportion of Canadians and, in many cases, in a very inequitable manner. In my opinion, this legislation will produce more inequity than equity in taxation. I do not think anyone will argue against the cases I have mentioned. However, on the basis of equity, certainly as far as this bill is concerned, the basic argument of producing greater equity falls to the ground. I think it can be demonstrated that carrying into effect the provisions of this bill will produce far more inequity as far as the majority of the people of Canada are concerned than the situation that exists at the present time.

The amendment moved by the hon. member for Edmonton West, which I am very glad has been allowed, is a case in point. I support that amendment strongly. The average farmer bought his land on a time payment plan. The average farmer in the future will have to buy his land on a time payment plan, perhaps more often than has been the case in the past. After having mortgaged his land, he spends the greater part of his life making mortgage pay-