

Adjournment Debate

that his health has been affected by such exposure, he should get in touch with the nearest district office of the Canadian Pension Commission, or with his nearest district pensions advocate. The department has always treated its veterans fairly and adequately, and will continue to do so in the future.

FINANCE—CAPITAL GAINS TAX—EFFECT ON INVESTMENT—
REFERENCE TO COMMITTEE

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, on May 13 last I addressed a question to the President of the Treasury Board (Mr. Johnston) with regard to any input he might have had in a study which I understood was being conducted by the Minister of Finance (Mr. MacEachen) concerning taxes on capital gains. The minister gave a rather strange response. He said that if there was a study he would look forward to receiving the results. In view of the big "if" in his response, I addressed a supplementary question to the Minister of Finance to find out whether in fact he was conducting a study regarding capital gains taxes, particularly because of the views expressed by the President of the Treasury Board before he became minister in this government. In his book "Fiscalamity" the minister clearly castigated the value of capital gains taxes.

The *Toronto Star* of October 18, 1979, reported the hon. member for Saint-Henri-Westmount (Mr. Johnston) as having said:

I am convinced that the introduction of the tax on capital gains has stifled investment in many sectors and frozen assets in others.

The capital gains tax was introduced and came into effect on January 1, 1971. It has proven to be a tax, as set out in the minister's own book, which stifles investment in that it prevents or delays the transfer of property from those who can make good use of property because of the impact of the tax. Indeed, with respect to small business, the tax can almost be expropriatory. In fact a small business may have no value as a base on which capital gains is taxed, so that the entire sale of the business can be taxable. Of course the tax is levied on 50 per cent of the return, a tax rate that can be 30 per cent or 35 per cent of the total value of the business.

● (2210)

The tax creates enormous problems with pressure groups coming to this government and saying, "You are taking my farm away from me, you are taking my property away from me". Consequently, we have had representations from all sources asking that this tax be removed or indexed or that something be done with respect to it.

Second, a great deal of the tax collected by capital gains is really not a tax on a capital gain but a tax on inflation. Indeed inflation is caused, as is set out in the book entitled "Fiscalamity" by the President of the Treasury Board, by governments printing money and in fact creating a value for money that is less and less, so that one needs more money to purchase the same goods. It is not really a capital gain. Indeed it is a depreciation of the value of the currency. So, we have a tax that to a great number of people is treated and deemed to be a

very unfair tax, an expropriatory tax. Consequently it is sometimes a tax which is difficult to collect. It is a bureaucratic tax requiring all sorts of appraisal studies. Indeed in estates we wind up with situations that are most peculiar.

For example, under the present act if a person dies with a private home valued at \$200,000, they pay no tax. If they happen to have invested their capital in growth stocks or equities in the country, they may wind up with a great deal of that \$200,000 estate being taxed away. On the other hand, if they happen to be farmers and have \$200,000 farms and have passed them on to their children, then that tax is deferred. So, deferral and deferral and deferral in effect is no taxation at all. It really depends on how one holds one's assets in this country whether one pays tax or not. Therefore a very unfair situation is developing.

It has been my suggestion to the ministry in the past that perhaps the ministry might look at a form of new estate tax based on a flat rate of tax, say, 10 per cent or 15 per cent of the amount in the gross of an estate over \$25,000. A tax of this nature would be a flat rate tax. It would apply to all people, all estates. Presumably it would apply only to estates passing to survivors. As a solicitor I know that people are not unhappy about paying a tax on something they receive as a result of an estate settlement.

It would strike me that this tax is not producing a revenue for Canada. The returns for 1977 indicate that this tax produced about \$250 million. Of course that was the tax divided among the provinces and the federal government. Of course I have no figures on the tax produced last year nor in 1978, but there is no question about it, that this tax is not producing, as it is presently written, any enormous revenue to Canada. In my view it is a tax that should be abolished. It could be replaced by another form of taxation that would be far more equitable. I ask the minister to bear that in mind when he brings this matter to the committee, as he has promised to do, so that we can have a look at this tax to make sure that Canadians are more equitably taxed.

● (2215)

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): Mr. Speaker, the hon. member opposite has referred to the impact of the taxation of capital gains on investment decisions and on the desirability of referring a study which is being conducted—and the minister has admitted it is being conducted—on this topic to the Standing Committee on Finance, Trade and Economic Affairs.

In the past few years there has been considerable discussion regarding the taxation of capital gains, and many proposals for change have been put forward. The individuals and organizations making these proposals are well aware of the effects of the taxation of capital gains on their own affairs and on investment decisions generally, but they are also concerned and aware about the impact that this tax has on the economy generally. The current study that is being conducted in the Department of Finance is designed to clarify exactly what this impact is.