

Adjournment Debate

If we really wanted to get to the problem of increasing equity investment, what we would do is to get rid of capital gains completely. Capital gains have not turned out to be a great source of federal revenue. In 1979, the total revenue derived by both the Provinces and the federal Government was but \$650 million. If you add some indexing and add some possibilities to that, perhaps there is a billion dollars of revenue in it. But the damage to the economy is so much greater that we would be far better off as a nation to get rid of capital gains tax completely. This proposal gets rid of capital gains tax for those people who are able to trade in listed investments on the market. It is a practical matter. They will pay tax on their real gains but they will be able to write off all of their losses. It is only a tax on real gains and then only at capital gains tax rates. Probably, in fact, after it is all washed out, some people will pay tax, a lot of people will have losses, and the net result will be that the Government will not get any revenue. Maybe it is equitable that some should pay and some should not. But the real purpose of an Income Tax Act is to raise revenue. This amendment does not.

You are indicating to me that my time is up, Mr. Speaker, but I want to say that this is no way to increase equity investment in Canada. What we ought to do is to treat all investment as being free of tax, free of capital gains tax. What we ought to do is to put some sizzle into the market. What we ought to do is to encourage people to invest. What we ought to do is to tax those who are just traders. This amendment lets the traders off the hook and puts the ordinary real investor on the hook for an unfair capital gains tax.

Mr. Douglas Fisher (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the Hon. Member often rises in this House to attack the existence of capital gains tax. We have had lively debates on this topic in the past. Tonight he has announced a new wrinkle in the theory, namely, that a billion dollars is not significant revenue for the Government. I think that is an important policy statement from the Progressive Conservative Party and it is one that I am sure we will hear more of in the future. But I ask the Hon. Member, what about the people who have to bankroll his taxation theories? What

about the people who have to pay for all the guys who get a free ride under his theory? Of course these are the people who have payroll income but no capital gains income. These are the people who work in factories and teach in schools. These are the people who have their own small stores or small businesses which pay them a salary but no real capital gain. The Hon. Member is recommending that these people finance the high rollers he is supposedly attacking.

● (1825)

Turning to the indexed security investment plan, individuals who speculate or deal with shares, options or other properties as a business venture are taxed on the profit generated from their activities at regular business tax rates, not at the lower capital gains rates. Those people pay the full rates. Speculators do not receive the benefits that ISIP offers to "true" investors.

The option trading which the Hon. Member attacked this evening is an integral part of Canadian equity markets. Our position in the ISIP is something which was recommended and supported by the Investment Dealers Association and the Toronto Stock Exchange. ISIP, along with other measures announced in the April 19 budget, are positive steps in encouraging new equity investment in Canadian corporations. I repeat, just in case my colleague across the way does not understand my position on this, that the capital gains tax is a fair tax. It is a productive tax and it is one that treats income equitably for all Canadians. It does not create a special class of income or a special category of people who get a free ride from other taxpayers. The tax policy must treat all income fairly. The capital gains tax is one part of the entire spectrum of tax which avoids unfairness and gives the Government satisfactory revenues.

The Acting Speaker (Mr. Blaker): The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at eleven o'clock. May I extend best wishes to the Hon. Parliamentary Secretary to the Minister of Finance (Mr. Fisher) and the Hon. Member for Mississauga South (Mr. Blenkarn); have a good evening.

At 6.28 p.m. the House adjourned, without question put, pursuant to Standing Order.