

Income Tax

● (2050)

The point is that Carter had said that a buck is a buck is a buck. If you earn a buck without doing productive labour, that is a capital gain and you should have it taxed, just as any other man or woman would pay tax on hard earned money from other sources. I accepted the argument of the Minister of Finance on principle but, as I said a minute ago, the hon. member for York-Simcoe can make even this Minister of Finance look progressive. If you follow the argument of the Minister of Finance logically—though Liberals always stop short of the logic of any argument—a capital gain should be taxed like any other form of income, yet under the law of this country only half of a capital gain is taxed. The hon. member for York-Simcoe wants us to go back to the eighteenth century; the Minister of Finance wants to leave us in the nineteenth century. The New Democratic Party believes that a capital gain should be taxed like any other revenue. As Carter said, a buck is a buck is a buck, and the tax law should see it that way.

Mr. Munro (Esquimalt-Saanich): Mr. Chairman, I have a couple of questions for the minister on clause 14. One has to do with the capital gains tax which we have been discussing. If it is the negligible source of revenue that it has been admitted to be, I wonder whether any representations have been made to the minister with regard to exempting those on pensions, such as the elderly and senior citizens who have tried to put some money away for their old age. I might remind the minister that the investments that these people made were with after tax dollars. They are now being asked to pay a second tax on money required for their wants or needs—and I think we should accord the elderly their wants as well as their needs. Have any representations been made to the minister to exempt the elderly from the rigours of the capital gains tax?

Mr. Macdonald (Rosedale): Mr. Chairman, I think I would have to say that, certainly to my recollection, the answer is no. There are provisions in the Income Tax Act with regard to the special exemption of the elderly, and these have already been referred to in this debate. But I cannot personally recall a recommendation for a special capital gains tax regime for this particular group.

Again I would have to raise the question of principle involved. If the holders of property make a capital gain, they will have only half of that capital gain included in their taxable income, which means a more favourable exemption than that accorded other taxpayers. In principle I cannot see the basis for differentiating them from other taxpayers.

Mr. Munro (Esquimalt-Saanich): Mr. Chairman, if I might I should like to go into it a little more deeply. Whether representations have been made directly or to the minister in the form of letters from groups of senior citizens or not, I cannot say. But representations have been made and are to be found in *Hansard*. I happen to know, because it was I who happened to make them. I honestly believe that there ought to be a special regime for this particular class of citizen, they having demonstrated their prudence in their earlier days to lay

aside funds so as to not to be a public charge when the day came for them to retire. These people might find they have to go into a home and have to pay a very high sum for their residence there. Or they may feel they were denied being able to travel readily during their working career and they now have an opportunity, when their working life is over, to cash in a \$2,000 investment they made in a common stock issue 20 years ago which is a little nest egg for them. I am surprised the minister is so rough on this class of individual.

The other matter I wanted to raise with him is underlined frequently on page 13 and following pages, and has to do with the "taxpayer, his spouse or former spouse". I should like the assurances of the minister that these provisions relate to the legal spouse only, that there is no interpretation which would extend these provisions to a common law relationship.

Mr. Macdonald (Rosedale): Mr. Chairman, if I may comment on the first of the points, as I observed to the hon. member for York-Simcoe, for most of the period since valuation day there have been very few stocks which will have appreciated in value because—

Mr. Munro (Esquimalt-Saanich): —we have been under this government.

Mr. Macdonald (Rosedale): As I also pointed out, the same is true of markets all over the world, though I thank the hon. member for his compliment that the world follows the Canadian Department of Finance in this regard. In any event, Mr. Chairman, it does not seem to me that the hon. member has made out a case for this group being treated differently. If their stock has enjoyed a capital gain since valuation day, only half of the appreciation is brought into taxable income. It is fair that they pay tax on that, just as they have to pay tax on that portion of their income which is left after their exemptions have been deducted.

If I might just explain clause 14, this covers the situation where, by reason of separation, divorce or other enforced absence of a spouse from the home, the spouse who is absent will still be entitled to claim a principal residence exemption in respect of the property. "Spouse", of course, means the spouse recognized under the law.

Mr. Saltsman: Mr. Chairman, earlier I wanted to put a question to the hon. member for York-Simcoe and I hope still to be able to do that, because I think he is being grossly misunderstood by the committee in raising the objection he raised to a capital gains tax. I think what he was intending to say was that the government had not been rigid enough in enforcing the capital gains tax, with the result that the government has not got enough revenue from it, and that the government should be tougher in this regard.

Just to clear that up, I should like to ask the hon. member for York-Simcoe whether it is his position that the government should be tougher on collecting capital gains tax; or is it the case, as some people think, that he does not want a capital gains tax at all but wants to see it abolished? Would the hon. member for York-Simcoe reply to that?