

● (2110)

[*Translation*]

Mr. Bussières: Mr. Chairman, one of the purposes of this amendment is to avoid that a possible taxable capital gain be turned into a tax exempt dividend. This will eliminate a loophole in the act and allow us to tax this type of capital gain. This is the exact purpose of this amendment.

[*English*]

Mr. Rae: The minister looked as tentative in giving his answer as I was in posing the question. I do not mean that as criticism. I am still not entirely clear. Perhaps Mr. Short or one of the minister's officials could comment on this problem. I was simply citing from the discussion paper in the example I was raising.

Does the government have any views on the problem of the relationship between these three forms of income and the fact that we have, in the name of closing a loophole, created a greater over-all inequity in the tax system? I see them shaking their heads; obviously I am on the wrong track. But if that is a problem, perhaps this amendment has no relationship to it. If so, perhaps the minister could explain how it does not. I am still not entirely clear.

[*Translation*]

Mr. Bussières: Mr. Chairman, I should have been more explicit in making my comments, even though I want to keep my introductions as short as possible. In fact, the problem raised by the hon. member is not involved here. The amendment concerns a corollary problem or a problem which is related to the much larger problem raised by the hon. member. This should be discussed in the course of the debate we would like to have on capital gains. This amendment removes a possible loophole, but it does not solve the much larger problem mentioned by the hon. member, which will be discussed and addressed in some way by the government when we undertake a more in-depth study in the course of a debate on capital gains tax.

[*English*]

Amendment agreed to.

Clause 24, as amended, agreed to.

On Clause 25—

Mr. Rae: Mr. Chairman, I am somewhat surprised that hon. members to the right have not risen on this clause, since it seems to be a question of some importance to them; that is to say, the question as to whether or not the conversion grant given by the government of up to \$800 should be taxable as income. If it is the intention of the government to encourage conservation, then the net effect of this conversion grant may be far less than the effective cost of the project. One considers something as income when it is income, but one does not consider something as income when all it is being used for is the conversion of a furnace, the installation of insulation and so on.

Income Tax Act

For example, the government could say to Mrs. Jones, "How much would it cost you to change your furnace from oil to gas?" If Mrs. Jones said, "It will cost me \$1,600", then the government should say, "Here is \$800, Mrs. Jones, we are paying half the cost." But, the government is not saying that. What the government is saying is: "Mrs. Jones, here is \$800 which you have to declare on your income tax return." So, the government is really giving Mrs. Jones \$450 or \$500, which may be far less than the cost of the actual conversion. I agree with the principle—

Mr. Evans: It provides an incentive.

Mr. Rae: The member for Ottawa Centre, the Parliamentary Secretary to the Deputy Prime Minister and Minister of Finance, says it provides an incentive. My answer to that is that it does not provide as much an incentive as the government is capable of providing. As my friend from Kamloops said, it is misleading. They are saying that it is income. It is not income, because that money goes immediately to the expense of the conversion. Therefore, if they are saying they want to effectively provide a real incentive to people to convert from oil to gas, then there should be a program which is clearly either a direct non-taxable grant or a reimbursement in the form of a credit. It does not matter how they do it; they can either do it through the tax system or a grant system. The purpose is to provide an incentive, and there is no need to make it taxable as income. It is not income, because as soon as one receives it one spends it; it is not income in that sense. It is income which has been used up at the point of its being given away.

[*Translation*]

Mr. Bussières: Mr. Chairman, I am really surprised at the comments made by the hon. member. If we ask the taxpayer who receives such a grant to include it in his income, it is for equity purposes and because this government wants to help those who need it most. As one's financial position improves, there is a lesser need for help from the government. If we were to give a \$800 grant to someone whether he earns an income of \$9,000 or \$20,000, this would be inequitable. However, as soon as this grant becomes taxable, the person earning \$20,000 will have less money left over from his \$800 grant, and thus the balance will be restored. I believe that the hon. member is sufficiently concerned about these liberal ideas to agree that such a subsidy should be taxable to achieve equity and to help first those who need it most.

Mr. Rae: The minister says that I am concerned about liberal ideas. I can assure him that the minister is not now expressing any liberal ideas. If he really wanted to be progressive, he could introduce either a non-taxable benefit or a tax credit, which would be even more progressive, and this is what he would be saying if he were sitting on the side of the opposition. I recall hearing him talk about a tax credit when he was a member of the opposition. A tax credit is a lot more