• (3:40 p.m.)

We had two provisions here, both of which were used by the public for the exemptions they offered rather than for the tax they charged. These exemptions were abolished. So the good has gone with the bad, though in the two former acts there was a good deal more good than bad. These provisions were of particular benefit to those with small estates and small incomes. The exemptions were applied across the board, and to a person with a $10 million estate a $50,000 exemption meant very little when his estate tax was paid. However, to a person with a $40,000 estate the exemption meant a good deal more; in effect, he paid no estate tax. Once the value of the estate got within the $100,000 bracket, at least one half or perhaps three-quarters of the estate was exempt from tax.

The same situation prevailed in the application of the gift tax. A wealthy person who wanted to give away a lot of money to his dependants or make a bequest for the benefit of the public, never used the gift tax provisions. If he wanted to dispose of his estate he would set up a charitable trust of some sort. Trusts can be set up in many ways to avoid taxation. For example, if you set up a trust, a corporation or a charitable organization, you paid no tax. This is the way the wealthy solved their tax problems. They never used the gift tax provisions. After all, what good was a $2,000 exemption to a millionaire? None at all. The people who used those provisions were citizens of average means.

Many of these people have come to my office and told me that although they do not have very much in the way of an estate they would like to hand something down to their children. Mind you, Mr. Speaker, there are some foolish people in this world who want to pass on everything to their children and in the process stint themselves. In some cases they pass on their wealth to children who do not deserve it, who do not need it or who throw it away when they get it. However, that is beside the point.

Some people spend their lives earning money with only one thing in mind, namely, leaving something to their children. It was these people who used the gift tax exemptions and the exemptions under the Estate Tax Act. But, as I say, both these exemptions have been abolished and these people of modest means have now lost the only hiding place they had from government taxation. On the other hand, people with large estates remain untouched by this legislation.

I do not think I have overstated the position. The point is that the abolition of estate tax and gift tax has been no gift to the average Canadian. If it has helped anybody at all, it is the Canadian government. So I hope I have demolished the idea that has gained some ground, that the abolition of estate and gift taxes was a good thing. I think it was a bad thing.

I should like to deal with another problem that is bothering many people at the moment. I have had dozens of inquiries from people who are wondering how to value real estate which they may one day sell. They have perhaps 100 acres of bushland which might be developed one day, or a piece of waterfront property which, though perhaps isolated at the moment, may soon be served by a road, or perhaps a piece of vacant property that they hope to sell to a builder. These people want to know what will be the position if the government imposes a capital gains tax on real estate and their property is sold one day. The only advice I can give them is to value their property this year, and if it is sold in the future the capital gains tax will be paid on the difference. They then ask me who is going to value the property in 1971, and I tell them that no one is. They reply that somebody must be going to value it, otherwise how can a valuation be fixed?

As far as I know, Mr. Speaker, no one is going to value their property this year. I think it would be an administrative impossibility for the government to undertake such a task. They would be silly to try to value every piece of real estate in Canada and therefore the government are not going to make any valuations. The private individual has no obligation to do so, so what is the holder of a piece of real estate going to pay tax on if he subsequently sells it?

I have been advising these people to get their property valued this year, and I think this is the best advice I can give them. Having obtained a valuation from an accredited valuer and put it away in their little safety deposit boxes, if they have had a reliable valuation and they sell their property in 1975, they have a valuation that was based on current values. It would be most difficult for a real estate valuer or a departmental valuer to look back in 1975 and to say, "Well, you bought your property in 1965, you are selling it in 1975, so what was it worth in 1971? It would be very difficult to make any valuation four years removed from that date, and if a valuation were made of a large piece of real estate this could mean a swing either way of $4,000, $5,000 or even $10,000. So as far as this capital gains tax is concerned, valuation represents a real problem.

Another matter that should be taken into account is that real estate rises and falls in value in accordance with many other factors. There is no way of fixing once and for all the value of a piece of real estate because its value can change if a new development commences nearby. In such an event it could suddenly be worth four or five times its previous value. Changes in the stock market can also influence its value. If the stocks and bonds market becomes bad, investors tend to turn to real estate, and vice versa. Its value also depends on the need for housing in the community or on the development of the community. There are so many different factors that can influence the value of a piece of real estate. Therefore it will be very difficult to value property. As I say, the only protection for a member of the public is to have his property valued by a real estate valuer.

• (3:50 p.m.)

I think the amusing part of this situation is that some of my clients have already had their real estate valued by real estate valuers who are accustomed to valuating for succession duty purposes. Their valuations are low because this has been the way they have done it for years, and there is always a haggle between a private valuation and a valuation by the government tax department. Valuations are not exactly accurate because people in different areas place different values on real estate.

This is a real catch in the legislation and I have no idea how the government intends to deal with it. I suspect that in every case there will be a fight between the Department of National Revenue and the individual. This will mean