

Income Tax Act

● (1610)

To the community at large, the scheme is flawed in the sense that this particular kind of investor is entitled to write off all his losses against other income without limitation. Other persons making capital losses can write off losses at the rate of only \$2,000 a year. So, for example, if you sell your farm at a \$100,000 loss, you can write off the \$100,000 loss at the rate of only \$2,000 a year against other earned income. Unless you are so fortunate as to have a whopping capital gain, your capital loss becomes a loss that can never be recovered because you do not live long enough. Money borrowed to go into an ISIP is not deductible. If you, on the other hand, borrow money from your bank to buy Bell Telephone stock, you can deduct the interest on the bank loan from your ordinary income.

The most damning thing about an ISIP is the fact that you can only marketable securities put into the plan. These must be securities traded on a recognized Canadian stock exchange. Shares in private companies are not allowed. The majority of business investment in Canada is excluded from the ISIP, and most business investors who invest in their own thing or in their small town businesses cannot use this system.

For the brokers, it is super good because it treats as capital gains activities that would normally be in the nature of a trading activity as opposed to an investment activity. For example, under Clause 18, on page 24 of the Bill, line 5, a put or call option in respect of the share described in subclause (A) that is traded on the stock exchange is included, and under subclause (G), page 20, line 25, a right, warrant, or call option that, if exercised, would allow the taxpayer to acquire securities or, as set out in subclause (H):

—a put option in respect of shares not owned under the Plan, other than any such shares that would be required to be acquired under the Plan on the exercise of a put option written under the Plan that together with the option is recognized as a spread position by a prescribed stock exchange in Canada—

This is included in qualified securities. The effect then is that those who would trade in stocks or even trade in options to buy or sell stock, as long as the trade is in listed securities on a recognized Canadian exchange, can have their trading activity done behind an ISIP and all of the gains treated as a capital gain, indeed an indexed capital gain, and all the losses written off. Nowhere in the history of income tax legislation has anyone at any time ever treated a person who trades in stock options, either options to buy or options to sell, as anything but a trader. If there ever was an activity that is an adventure in the nature of trade, this is it. Yet the Finance Minister's scheme allows people who wheel and deal in the market, to hide under the ISIP scheme.

The Conservative Party has some recommendations regarding the ISIP. If the Government is going to allow indexing of capital gains for those who deal in the stock market, then it should allow indexing of the capital gains of farmers, fishermen, and small businessmen. Why should one group of investors who happen to deal in listed securities have the benefit of indexation when the other vast group of investors have no such benefits?

A great number of the people who wheel and deal in the stock market are really not true investors, albeit they buy shares in existing corporations, but they are not long-term investors. They buy existing shares on an existing market. The person who buys a farm, the person who builds an office building, the person who starts his own small company putting his life savings into that company, is a true investor. He actually builds something, buys something, invests in something with no thought of an immediate rollover.

This scheme works best for those who are in the business of having immediate rollovers. It is designed for those who buy the existing shares in listed companies. Surely, in the scheme of things, there are the very people who should have no call on government largesse. This scheme is a tax break for the wealthy, the portfolio trader. Where is the equity? Our natural constituency is small business, farmers, fishermen, small land owners—the little people. If we work the ISIP over, the Minister's reputation as Minister of Finance will suffer badly.

The best explanation of the ISIP is a statement by Lyman MacInnes, senior partner of Touche, Ross and Company, who calls the ISIP a lot of bureaucratic machinery giving benefit to investors who least need help. I fail to see how the ISIP is going to give us great economic recovery. The truth is, Mr. Speaker, that as long as this Government is in power there will be no economic recovery. We just have to read the statements made by Americans and other investors who are waiting for a change in government before returning to Canada in a big way, according to a New York investment analyst. In an article in the *Ottawa Citizen* on November 3, this analyst is quoted as saying that he feels that if the Progressive Conservatives take power there will be an immediate change in investor attitude.

The problem is that since 1980 some \$14 billion in investment has left the country, mainly for the United States. If it is not coming in but is all going out, it does not matter how the tax scheme is juggled or twisted, it is not going to create any more jobs or bring about economic recovery. If the Government were interested in economic recovery or in doing something for the 1.5 or 2 million unemployed in the country, it would resign immediately.

The Acting Speaker (Mr. Patterson): Questions or comments? Debate. The Hon. Member for Broadview-Greenwood (Ms. McDonald).

Ms. Lynn McDonald (Broadview-Greenwood): Mr. Speaker, I am very pleased to have the opportunity to take part in the debate on such an important subject as income tax. Canadians want decent services from the Government and the services they want cost money. I think, except for some freeloaders, about whom I will say more later, by and large Canadians are happy to pay taxes if they are fair. Canadians want decent systems of education, unemployment insurance, medicare and a decent safety net. Most people realize that they have to be fair. The problem is that the current system of income tax is