

Government Orders

• (1250)

That is reality in Canada today. We have a new income tax return in Canada today. Ordinary Canadians will no longer get the T1 General. Do you realize that, Madam Speaker? That is a massive change.

How does the government decide that 13 million of the 14.6 million taxpayers should only get this little tiny guide, the little tiny T1 Special? It looks back over its records to see if they have been involved in things that are more complicated than a simple T1 Special return. It does not want to waste money sending out the T1 General form.

The government announced today that the province of Newfoundland now owes it more money in equalization. In fact six provincial governments owe it \$600 million that now has to be paid back because the government says they were overpaid. These are hard times. Historically Tory times are hard times and Canadians are realizing that.

What are we doing in this Chamber today? We are passing new laws on income tax. What is the subject under discussion here today in this Chamber? It is about an aspect of this particular bill that involves a change that will mean people will not have to pay taxes to the federal government that are due this year. That is what this bill is all about.

To put it in context, in 1971 Canada had what was called an inheritance tax, commonly referred to as an estate tax. That tax was levied prior to 1971. It was done away with in 1971 by the Government of Canada under Pierre Elliott Trudeau who was the Prime Minister and sitting to his right was the present Leader of the Opposition.

They sat there when that law was changed. The inheritance tax was done away with and replaced by the capital gains tax. I think that is generally accepted by everybody. The capital gains in a way replaced the inheritance tax because upon death, as the hon. member just noted, the property is deemed to have been sold for purposes of capital gains. Of course capital gains are at only half the normal rate of taxation.

When the government said it was going to do away with the inheritance tax and bring in the capital gains tax

in 1971, there were an estimated 10 billionaires in Canada. In fact most writers claim we have more billionaires per capita of any industrialized country in the world. That has been repeated and repeated. The government knew that the most wealthy people in Canada would probably find a way to avoid paying it. I am not talking about a loophole. The word loophole has been used loosely in this Chamber by the Tories and the NDP. A loophole is an unintentional error in the design of the tax law. We are not talking about unintentional errors here. These are intentional errors; so-called incentives built into the Income Tax Act. The government sat down and it decided: "All right now, ordinary Canadians are going to have to pay capital gains, but perhaps some of the wealthiest people in Canada will try to get around paying the tax bill that was normally referred to as the inheritance tax, the estate tax because they will probably put it into a trust which does not die". You can die but your trust does not die.

• (1255)

The government passed what is now called the 21-year rule which said all taxes that would have normally become due to the Government of Canada by the replacement of the inheritance tax with this capital gains tax upon death would become due in 21 years. That started in 1972 and in the intermediary period of 1971 and 1972 most people analyzed it and said in that one year, by giving a tax break there, it is worth \$66 billion. Now what does 21 years from 1972 add up to 1972 plus 21 years? Seventy-two plus 21. What year is that? Is that a year we have tough times in Canada? Is that a year when we have the GST? Is that a year when we have people filing income tax returns in my riding of Gander—Grand Falls and all around and learning they are having their income tax attached. Is that the same year? That is this year because 1972 plus 21 is 1993. It is this year that all of this money would have come due.

That is why the dean of the law school in Victoria is saying that billions of dollars are involved. The government's answer in this bill is: "No, we are going to change the 21-year rule until the youngest member of the family dies". How many years is that? Is it estimated at another 30 years, perhaps? "We are going to defer what the 21-year rule did so it will happen another 30 years down the road".