

Income Tax

inflation and the government's irresponsible fiscal and monetary policies, have left them in an unfair position.

The Deputy Chairman: Order, please, I regret to interrupt the hon. member but his allotted time has expired.

Mr. Saltsman: Mr. Chairman, with the permission of the House I wonder if I might ask the hon. member for York-Simcoe a question about his most interesting intervention. I would like to ask the hon. member—

The Deputy Chairman: Order, please. I cannot accept the suggestion of the hon. member for Waterloo-Cambridge as the time of the hon. member for York-Simcoe has expired.

Mr. Macdonald (Rosedale): Mr. Chairman, I will not deal with all the points made by the hon. member for York-Simcoe. I should point out that he is being less than honest with the committee when he says that this government has approved investments made by the Canada Development Corporation. As he and this House know, the CDC has been set up with an independent board of directors and independent management. It has been operated in that way. The government through its participation participates as do other shareholders, the members of the public, in the decisions that are made. However, the government does not make the decisions by which the various investments are made by the corporation. To suggest otherwise is to mislead the committee. I had hoped to have this occasion to correct the record in that regard.

The hon. member made a comment about the fact that this Government of Canada had been responsible for the drop in equity markets. It is fair to point out that equity markets throughout the world have been down for the last three or four years. If the hon. member is saying that the fiscal policies of the government have been responsible for that, I am glad he thinks we are followed by the rest of the world. However, the most intelligent analysts would not accord us that much authority.

The hon. member's insistence that the capital gains tax was to be a great generator of revenue is, of course, in defiance of the discussions that took place at the time of the tax reform. It was recognized that at least in the early years it would not be a substantial generator of income. At the same time, it was recognized that it was patently unfair for an owner of property to be able to liquidate that property and enjoy the benefits totally tax free, when persons who were dependent upon earned income had to pay at progressively increasing taxation rates. On that basis I must say that the suggestion that this in any sense was to be a major revenue source is completely misleading the committee.

With regard to the 1974 taxation year, the net taxable capital gains that occurred in that particular year were \$282 million. If you assume a 30 per cent taxation rate against those, the tax would amount to about \$84 million.

Breaking down the income for those having income under \$20,000 a year, that is 177,557 taxpayers, the net capital gains were \$108 million. For those with income over \$20,000 a year,

[Mr. Stevens.]

the number of taxpayers was 61,216 with a net capital gains of \$174 million—making, as I indicated, \$282 million for net taxable capital gains in the year 1974.

Mr. Broadbent: Mr. Chairman, I think the Minister of Finance was less than charitable with the hon. member for York-Simcoe when he said he was being less than honest. It would have been more appropriate to describe what he had to say as being more than dishonest.

Some hon. Members: Shame!

Mr. Baker (Grenville-Carleton): Withdraw.

Mr. Broadbent: This is very straightforward language.

The Deputy Chairman: Order, please. I suggest that the hon. member for Oshawa-Whitby should not refer to the hon. member as dishonest and that he withdraw his last remark.

Mr. Broadbent: You misunderstood, Mr. Chairman.

Some hon. Members: Oh, oh!

Mr. Broadbent: I do not want anyone to draw the wrong conclusion from what I had to say. I certainly do not want to suggest the hon. member was stating a blatant untruth in the House. If that were the implication, I would more than willingly withdraw the comment. If anyone can make this Minister of Finance look progressive, it is the hon. member for York-Simcoe.

If anyone can ooze around a point for 20 minutes without coming to his own implied conclusion, it is also the hon. member for York-Simcoe. He gave a lot of erroneous and misleading information about what a capital gains tax is supposed to do. As the Minister of Finance pointed out, at the time this tax was introduced in the country, no one ever argued that it was supposed to generate a substantial amount of revenue for the treasury of Canada.

The hon. member for York-Simcoe was very straightforward in his analysis. However, he missed entirely the equity point in the capital gains tax because he is never concerned with equity. I am not surprised it missed him that people who get income from a capital investment or capital gain should be taxed like a coal miner in Cape Breton, a farmer in Saskatchewan, or a cab driver in the hon. member's own constituency.

The point of a capital gains tax is not in generating revenue for the treasury, but is one of fairness in the tax law. If the hon. member reads the debate at the time of the Carter Commission, he will find that is the point of the capital gains tax.

I am going from memory. However, when we introduced it in this country, if I recall correctly, we were one of two countries in the advanced world without a capital gains tax. I do not know the other. It may have been Argentina or some such country.