

Income Tax Act

was introduced in the First World War, how the percentage of our income taken in taxes continually increases, and how governments get bigger and bigger and take more and more, you begin to realize that it is only a matter of time before the burden being imposed on the people will be too much for them to carry. Every day you see people throwing up their hands, leaving the work force and going on the welfare rolls. They are maintained through various government income distribution or redistribution schemes.

Fewer and fewer people are carrying the tax load. We must stop this trend if our system is to continue and if we are not to become mere slaves of the state. I do not think the people who are supporting the bill really want this situation for Canada. I do not think that is their concept for Canada. We must take a hard look at the matter because taxes today are taking about 45 per cent of the total income of all Canadians.

Mr. Speaker: Order, please. I regret to interrupt the hon. member, but his time has expired. He may continue if he has unanimous consent of the House. Is there such consent?

Some hon. Members: No.

• (3:30 p.m.)

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, it is not an easy task to discuss this voluminous and very broad bill in general terms, yet this is what is required to be done at second reading. I think, regardless of the way in which the situation is disguised, no bill to reform taxation can fool the public into believing that it would reduce their taxation in the long run.

There are several provisions in the bill which have on the surface some beneficial results for groups of people, yet when you look into them more carefully you find that they are not beneficial at all but in fact work against the people they appear to benefit. I should like to discuss three or four of these provisions in the time available to me. I think I can expose some of the tricky features which can easily deceive people. These provisions should be made very clear and understandable.

The first provision in the bill which has tended to confuse a number of people is that the government said, "We are going to abolish the estate tax." That sounded good. Many people came to me at the beginning and said, "That is good; they are going to abolish the estate tax and we do not have to go through all the shenanigans we have been going through getting lawyers to act in our interest in respect of estate tax and paying large sums of money to the government. It will be great with no estate tax."

Of course, this is not the case at all. In fact, in the Estate Tax Act at the present time provision is made for a basic exemption of \$50,000 for every Canadian on which amount the estate is not required to pay tax at all. Certain people—for example, a husband with a wife and several children—are entitled to exemptions greater than that. They can claim up to \$90,000 of exemptions under existing tax provisions. So for the average Canadian it is the exemption which counts in terms of the Estate Tax Act, not the tax itself. The average individual with a small estate or with an estate of reasonable size is concerned

[Mr. Downey.]

only about the exemption. When he is looking at his will, he says, "I have \$60,000 or \$80,000 of exemption and my widow will have to pay no succession duty at all since we have this small estate."

The situation under the new bill is that there is no estate tax but that a capital gains tax has been substituted for it. And the capital gains tax does not contain any provision for exemptions; you are taxed from the first dollar. This is why I say the provision is tricky. There is no exemption. You cannot look at your estate and say, "It is only a small one, so there will be no tax." The government will take from the first dollar you have. They call it capital gains; they do not call it estate tax.

Calculations have been made which indicate that it will cost more for the average Canadian under the proposed new system of taxation than it would have cost under the previous estate tax legislation, because now he starts out with a few thousand dollars, as most people do, and every time he makes a dollar either by income or by capital gains it is taxed. So he is taxed all the way through his lifetime. Then, if he has anything left at the time of his death he is taxed again. I see no benefit whatever for the taxpayer. The proposed capital gains tax is really a disguised estate tax and it does not benefit the average Canadian in any way.

A similar situation arises in the case of the gift tax. The Minister of Finance (Mr. Benson) announced that the government proposed to abolish gift taxes. People said, "That is great; there will no longer be a gift tax." But the gift tax act, from my limited experience in the practice of law, was used mainly in relation to the exemptions which the law provided. Again, exemptions were allowed to the extent of \$2,000. You could give to any number of relatives in a year a considerable sum of money, taking advantage of the exemptions in the gift tax provisions. And this is what people did; they used the benefit of the exemptions in order to make, for example, a substantial gift to a child. A great many people have been taking back a mortgage and writing it off each year as a means of making gifts to a child, or to several children, quite legally and properly, without paying a cent in taxation. It was the exemptions that people watched; it was the exemptions that they used.

At one time the exemption was \$1,000, so they gave away \$1,000. They kept within the limit of the exemption. The exemption was raised to \$2,000, so they gave away \$2,000. It was all perfectly legal and proper. Very seldom, in my experience, did anyone give more than the exemption covered, because once they got beyond the basic exemption they had to pay tax, and most people preferred to take their chances with estate tax after they had gone than to pay gift tax at the time of the gift.

The government says it is abolishing the gift tax. What it is really abolishing are the exemptions. So under the new proposals, if you make a gift to a child you are deemed to have realized the asset which you give. It is just the same as if you had sold it or disposed of it in any other way. You are deemed to have realized it and you are taxed on it under the capital gains tax provision. You are taxed from the first dollar. There is now no \$2,000 exemption. Although this measure is supposed to be a benefit, it offers none that I can see.