funds from Registered Home Ownership Savings Plans until perhaps June 30 of next year?

[*Translation*]

Mr. Loiselle: Mr. Speaker, I think that in keeping with the holiday spirit the Hon. Member opposite wants to be very generous and present everyone with a gift. I remind him that this budget proposal helped many furniture manufacturers in Canada and that he himself agrees that this was an excellent initiative. If the Hon. Member wants to make this proposal on behalf of the Official Opposition and say that he does not really care about the possible increase in the total deficit such generosity would mean for the Government next year, we could certainly discuss it. We would not close the door on such a proposal; we would be willing to discuss it. Finally, I would like to refer to the concern expressed by the Hon. Member with regard to the greater benefits reaped by those so-called friends or passive investors rather than by the companies themselves. I would remind the Hon. Member that this budget was preceded and followed by more consultations with the business sector than ever before and that these initiatives are in direct response to the recommendations of business interests because the problem which we had in Canada resulted from the ratio of debt to equity. Moreover, the most important thing in this country is to have incentives so that Canadians will invest in equity capital of businesses. In my opinion, failure to do so has been one of the main causes for the great number of bankruptcies we have witnessed, especially in Quebec.

I therefore believe that the Hon. Member, who suddenly wants to become a corporate defender, should realize that, for a company to come through unfavourable economic cycles, it must have access to equity capital, and without coming back to certain bills which were withdrawn recently, I hope that the Hon. Member will be willing to examine during the coming year the whole issue of how savings are used in Canada, which are very often invested in pension funds under the control of private companies or Crown corporations, and I also hope that we shall be able to have a non-partisan debate to fully examine the problems which Canada will have to face.

[*English*]

Mr. Dan McKenzie (Winnipeg-Assiniboine): Mr. Speaker, Bill C-2 provides the necessary legislation for the income tax measures proposed in the April, 1983, Budget for Indexed Security Investment Plans, for a few technical matters left over from Bill C-139, and for the extension of small business bonds to December, 1985. It is interesting to listen to the comments made by members of the Liberal Government who have said how wonderful these tax changes are and what they will do for Canadians. The feelings of those members are not in concert with the feelings of the Minister of State for Economic and Regional Development (Mr. Johnston) who, in a recent speech, pointed out the following:

> I believed then and believe now that the income tax system is in many ways inequitable, unduly complex, and not making the contribution it should.

> —I know of one aspect of the tax system which is not contributing to productivity, and that is the matter of tax complexity. For every lawyer and auditor in Japan, there are 100 engineers. In Canada however, the proportion is roughly equal. I would hope that the future will see more of our brain power in the laboratories of this nation, and less preoccupied by the Income Tax Act.

I have discussed the Income Tax Act with lawyers in Winnipeg and many of them are almost frightened to make a decision on behalf of a client about how to finalize their client's tax returns or about anything to do with the very, very complicated tax system we have in Canada. I doubt if Bill C-2 will untangle any of this mess. In all probability, it will only make everything more complicated.

The Minister of State for Economic and Regional Development went on to say the following:

> As a tax practitioner, I preferred and still prefer tax expenditures and incentives over grants.

> Why? First, they are available to all comers who meet the criteria of the law. There can be no possibility of discriminatory treatment among recipients. Second, they favour winners, not losers. Third, they can be administered without an army of bureaucrats. Fourth, they encourage market forces and are not points of attack in terms of our international trade relations.

The Minister went on to say:

> The tax system must become a living, responsive agent of economic development.

We have had many problems with the tax department these days regarding harassment of individuals and businesses. My colleague, the Hon. Member for Wellington-Dufferin-Simcoe (Mr. Beatty), has recently highlighted the harassment tactics of the Liberal gestapo toward business in Canada.

I would like to make a few comments about the Indexed Security Investment Plan. A stockbroker, investment house, bank, or possibly a trust company or credit union sets up a registered fund for a client. The client purchases Canadian securities that are traded on a recognized Canadian stock exchange and places these securities in his ISIP fund. Dividends that might be received from securities are paid directly out to the client and the client treats them as ordinary dividends in the ordinary course of events in accordance with the Income Tax Act. Income from securities is not affected.

What is wrong with this scheme, Mr. Speaker? Number one, the scheme relies on inflation to be the principal motivation behind entering into the plan, but accountants indicate that long-term investors are better off, despite inflation, to stay out of such a scheme because they must pay capital gains tax as they go along on their investment holdings. If a person held a stock for, say, ten years, he would not pay the capital gains tax until he sold the stock at the end of the ten-year period, but if there were regular gains over a ten-year period, he would pay the tax as he went along. Capital gains tax is only paid when capital is sold. Under an ISIP, 25 per cent annually of capital gains is paid on a pay-as-you go scheme. While in theory you pay no more total dollars in tax, the fact is you pay your tax sooner, and consequently the real cost of the tax to the investor is greater.