

Income Tax Act

have suggested, and that perhaps members on the government side may suggest. But without any modification of the proposed rates of taxation, and without any modification with respect to exemptions, I cannot help but feel that it may be a very bad mistake to present these proposals at the present time, in the present state of the economy, and faced with the uncertainty of what the provinces might do.

Unless consideration is given by the government to the modifications that I and others have suggested, it might be unwise to bring in these proposals for at least a year, or perhaps two years. More time should be given to studying the types of exemptions that might be made and the different types of rates that might be charged to different industries. These are things the government has not considered as yet, and that should be considered before proceeding with this measure.

Mr. Mahoney: Mr. Chairman, the hon. member for Oxford asked a couple of specific questions. On the basis of estimates of 1972 incomes, it is anticipated that capital gains tax collected from corporations in the first year of the new system will account for about \$50 million in revenues, and that capital gains tax from individuals will account for some \$80 million in revenues.

It is also anticipated that the costs of collection will be in line with those which we are experiencing with the present Income Tax Act, in that the new bill does continue to present a workable self-assessing income tax system. In 1970, the last year for which I have any information, the cost of collection was 73 cents per \$100 of revenue.

Mr. Burton: Mr. Chairman, the absence of a capital gains tax from the Canadian tax system has been a glaring loophole that even the Liberal government could not altogether overlook. Consequently, it had to come up with some solutions to the problems created by that loophole. As a result, we now have this very lightweight proposal which provides many concessions that demonstrate that the government has bowed to the wishes of wealthy people and of large corporate interests. The absence of a tax on capital gains, within the framework of an over-all tax system, simply encouraged people to take their profits in the form of capital gains rather than in some other form that would result in a fair tax assessment being made against them.

With respect to the comments made during the debate so far this afternoon, there are a few points to which I would like to draw attention. We must keep in mind that in dealing with the subject of capital gains, essentially we are dealing with two different types of institutions and two different forms of activity where capital gains will come into play. The first is the area of corporations, corporate activity and its related aspects. This is reflected in the gain in capital value achieved by corporations within their own framework of operations which is then shown in the valuation as far as shareholders are concerned. That, along with other factors, results in a change in the valuation of shares held by individuals or institutions in these corporations. The government proposals have given every possible consideration to the situation of shareholders and corporations in order to minimize the problems they might face.

• (4:20 p.m.)

There is a second category, that is people carrying on an activity in other than a corporate pattern of operations. This involves holdings in terms of a residence, holdings in the form of a small business, in the form of farming or fishing activities and other small enterprises which are controlled by an individual or a small group of individuals on an unincorporated basis. The government has shown very little concern for this form of economic activity. It is another example of the discrimination evident in drafting and developing the tax bill now before us. Every possible consideration has been shown to corporations and corporate activity, but very little to the individual who is having a difficult time surviving against the economic strength of those corporations in today's economy.

Another area of activity concerns the financial paper held in many forms by individuals and corporations. The government has shown a surprising lack of consideration for the situation of the individual. There is some response from the government in terms of changes made with respect to the handling of capital gain on the principal residence of an individual, and I suggest that the government should have shown the same consideration to other people hurt by the capital gains proposals or where there is a potential for such damage.

This has been referred to in the context of farming activity. I know the hon. member for Edmonton West has moved an amendment in this regard and I want to acknowledge, as did the leader of my party, that I do not question his motives. But I do suggest, Mr. Chairman, that in addition to the motive we have to look at the content of the amendment and ask what it will actually do. I have a copy of the amendment before me and it proposes to exclude from any calculation of capital gains, "... other than land used in farming as defined in this act..." This would totally exempt farm lands from any consideration of capital gains, no matter who, what or what for.

I would ask the hon. member for Edmonton West and his colleagues in the Conservative party to give careful consideration to what this amendment would do. Would it actually help the farmer? I suggest not, in its present terms. If farming is exempted from capital gains tax what will be the results? I suggest the result will be a rash of speculative activity in farm lands beyond anything we have seen up to the present. There have already been serious problems in southern Ontario in particular, in the periphery of the large urban centres. A lot of this speculative activity has made things very difficult for farmers honestly attempting to carry on a farm operation. I suggest that the effect of this amendment placed before us by the hon. member for Edmonton West will be exactly opposite to what is intended; in fact, it will hurt the farm and farmers rather than helping. I hope we give serious consideration to the amendment and do not proceed with it in the form in which it now stands.

When we come to deal with the principle of capital gains as such, I think we have to fill this loophole within the framework of our tax system. The argument against the capital gains tax is that it weakens the incentive of individuals. But it must be acknowledged that in fact when the proposals in the white paper were announced originally—and I am certainly no defender of the white