

PROCEEDINGS ON ADJOURNMENT MOTION

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

FINANCE—MEETING OF FEDERAL AND PROVINCIAL FINANCE MINISTERS—INQUIRY AS TO PROPOSALS RESPECTING ESTATE AND CAPITAL GAINS TAXES

Mr. Elmer M. MacKay (Central Nova): Mr. Speaker, on January 15, less than two weeks after parliament met for this session, I asked the Minister of Finance (Mr. Turner) whether he would make specific proposals regarding estate and capital gains taxes to provincial representatives. I had hoped that he would show some leadership in this regard, but in the succeeding weeks the minister has gone only part way in assuming a leadership stance. In fact, I submit that he has tried to substitute salesmanship for leadership, and this is becoming more and more evident.

The federal attitude toward estate tax has been very equivocal. After the former minister of finance announced with fanfare that the federal government was in fact out of the estate tax field since capital gains taxes were in, this administration said to the provinces, in effect: You collect and we will help you. Two provinces, Alberta and Prince Edward Island, have in fact decided that this is a regressive tax and one which should not be collected. Is the federal government doing anything to assert leadership with regard to the position of other provinces? Of course it is not. Nor is this government going far enough to bring equity into those instances where farmlands are being hit with capital gains tax.

• (2200)

The capital gains tax on farmlands favours corporations. It destroys, or at least seriously erodes and impedes—as the hon. member for Crowfoot (Mr. Horner) pointed out not too long ago—the natural desire of farmers to pass on the results of a lifetime of toil to their families. It takes a long step, I suggest, toward further eroding the position of rural areas of Canada. Death should not be a prerequisite to passing on farmlands without taxes.

Ever since the former minister of health made his famous remarks last year concerning the further taxation of the middle-class, the government has suddenly realized the extent of the antipathy this approach aroused among much abused, middle-class Canadians. The government is now exhibiting a new-found interest in doing something for small businessmen and middle-class Canadians. In fact, this government is adopting so many of this party's policies suggested by our leader that I should not be at all surprised if a directive has not already been issued that the cabinet must wear Stanfield underwear in future.

I ask this government and the Minister of Finance to give the provinces a clear understanding that it would be in Canada's best interests if they all got out of the estate tax field, since this tax as it now stands hits not just rich people but most middle-class Canadians who are already paying capital gains tax. I ask them, also, to remove capital gains tax or to further substantially modify it in

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regard to farmlands passing from one family member to another, or one generation to another, and to show some leadership and give some sense of direction to Canada's financial affairs.

I make the suggestion to the minister that he must further modify the capital gains tax. He should realize that this tax must be refined. For example, with regard to Canadians who over the years, either through systematic saving or a stock option given by his employer—as is often done in the case of public utilities which permit employees to buy stock over the years at a favoured price under certain conditions—have held stock, they should not pay capital gains in the same way as a speculator. Perhaps in some instances no capital gains tax should be paid. There is a great deal of difference between buying 1,000 shares of General Motors and selling it in a comparatively short period of time and making a profit, if you are doing it for speculation, and borrowing money to buy shares in a Canadian company, holding those shares for a number of years, perhaps five, to assist in your retirement or in the education of your family.

By failing to distinguish between the Canadian who buys stock in a Canadian company and holds it for a specified time, and a speculator who is a trader or an opportunist, this government is doing this nation a disservice. A selected capital gains tax exemption up to a certain amount, perhaps \$25,000 or \$50,000, in Canadian securities held for a specified time, say five years, would encourage Canadians to invest more in Canadian companies.

There are, of course, many modifications needed to this suggestion, but I would urge the minister to consider it and use a little more imagination in giving some leadership to this nation's financial institutions. Perhaps soon on motions he could also tell us what effect he feels high interest rates are having on our slow-growth regions; and perhaps he will also give us his views on regional financial policy. He might also indicate whether he has found a method of complementing our regional development policy.

[Translation]

Mr. J.-Roland Comtois (Parliamentary Secretary to Minister of Finance): Mr. Speaker, we know that the federal-provincial conference mentioned by the hon. member for Central Nova (Mr. MacKay) in his question took place on January 18 and 19; it would appear that the questions mentioned by the hon. member were not raised by the provincial governments. However, as the Ministers of Finance meet fairly regularly, it is no doubt quite possible that the matter of estate taxes might be raised again at a coming meeting.

I might point out that the question as expressed does present a certain anomaly since, as we know, the federal estate tax was abolished at the time of the tax reform, precisely because it was considered that its role was now fulfilled by the new income tax on capital gains. The matter involved then is that of the interaction between personal income tax and provincial estate tax.

Here again, the problem does not apply to some provinces which decided to abandon the area of succession duties, that is to say Alberta and Prince Edward Island.