

they are in the same position, if they are retired people, as those receiving a registered pension or people who have held their assets in another way. They will have a certain income; they will have the benefit of the old age exemption I mentioned this afternoon and, of course, the interest exemption provided under the Income Tax Act. It does not seem to me that it would be equitable, merely because they once owned a tax-free property, that they should continue to have that tax-free status.

Mr. Stevens: Mr. Chairman, to be specific, am I to take it that the minister's department has not given consideration to exempting from income tax the income arising from the investment of these proceeds coming from the sale of one's principal residence?

Mr. Macdonald (Rosedale): Mr. Chairman, for reasons of principle that would be hard to justify.

Mr. Stevens: Mr. Chairman, as a generator of revenue, the capital gains tax, as I think hon. members must admit, has been a dismal failure. Despite the claims of the former minister of finance, Mr. Benson, the scheme neither generated so much new revenue that personal taxes could be reduced across the board, nor has it "soaked the rich" as was originally intended.

It is such a poor generator of revenue that the Minister of Finance this evening cannot put his finger on the amount that has been raised by the capital gains tax.

Mr. Broadbent: Are you for it or against it?

Mr. Stevens: Taxation statistics for the years 1972, 1973 and 1974, the first three years since the introduction of the capital gains tax and the latest figures available, indicate the net take by both Ottawa and the provinces was a mere \$54 million in 1972 and only \$90 million in 1974.

Mr. Baker (Grenville-Carleton): That is hardly enough to fly a good sized aircraft full time.

Mr. Stevens: Not surprisingly, the failure of the tax to raise revenue is due, in large part, to the government's colossal mishandling of the economy. In 1974 every single income category of taxpayer filed losses on market investments; the only fairly consistent investment winner has been real estate and I suggest that is probably owing more to inflation than anything else. Even here, all income classes below the \$25,000 category claimed net income losses from real estate. On all other investment, except stocks and real estate, in each year the capital losses for virtually every income class have outstripped the gains.

In its best year the capital gains tax is sufficient to pay only 75 days of the CBC's annual subsidy. To put it another way, assuming that the federal government's share of capital gains taxes is about 70 per cent of the total collected, the total take this year is estimated at \$100 million. Based on the current levels of federal spending, a full year's capital gains tax revenue does not even cover the government's expenses for one

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full day. So much for the revenues that this tax was supposed to provide; and so much for the across-the-board tax cut which was supposed to follow the introduction of the capital gains tax.

You will recall that earlier today, in reply to a question I had asked concerning the amount of personal income tax paid by the rank and file taxpayers of this country, it was revealed that the personal income tax revenue of the federal government is rising by as much as 50 per cent more than the total growth rate of our gross national product. Clearly the substantial revenues which those who advocated the capital gains tax anticipated, have not materialized. The personal wage earner is paying—

Mr. Broadbent: Are you for it or against it?

Mr. Stevens:—for the spending programs of this government. When we speak of the capital gains tax in its present form and its continuing effect in Canada, we should bear in mind one single point. Contrary to public belief, it is not the rich who are actually getting soaked by the capital gains tax. Of the 230,000 taxpayers reporting taxable capital gains in 1972, all but 32,000, or 86 per cent, had total incomes including taxable gains of less than \$25,000. Let me repeat that: 86 per cent of those claiming taxable capital gains were in the income bracket of less than \$25,000. They paid about 40 per cent of the total gains tax collected.

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The lower and middle income brackets still represent 86 per cent of those taxed in 1973, and they forked over about 35 per cent of the total gains tax. By 1974, 83 per cent of those taxed were the non-wealthy, while their share of the take was still 30 per cent.

Let me quote an authority in which this Minister of Finance undoubtedly has tremendous confidence. I refer to the former leader of the Liberal party in Manitoba whom this minister, through the Canada Development Corporation, apparently feels should be supported with a \$7 million investment from CDC. The person I am referring to is, of course, Mr. Israel Asper, former Liberal leader in Manitoba. In a column in the *Globe and Mail*, if you will pardon the expression, of October 14, he wrote and I quote:

What is crystal clear . . . is that the tax falls and will continue to fall on those already hard hit by taxation; the wealthy will not pay the tax because they can afford to hold on to their assets and thus avoid realizing their capital gains tax.

That was Mr. Asper in whom the government has sufficient confidence that it is willing to turn over \$7 million of public funds to help him with a new investment venture in the west. If the government has that much confidence in Mr. Asper, they should listen to what he has to say concerning the capital gains tax.

In dollar terms, the lower and middle income brackets have had nearly \$70 million taken from their consumption, savings and investment capital in these three years of capital gains taxes, according to Mr. Asper. This capital erosion, plus