

*Income Tax Act*

Next, the Bill deals with farming losses and allows those farming losses to be capitalized. My colleagues will be speaking in the House with respect to farming losses and asking why, if those farming losses that cannot be written off as losses are to be capitalized, then why can they not be treated as losses and written off against other income? A number of questions have been raised with the Minister of National Revenue (Mr. Bussi eres) with respect to restricted farm losses and, in our view, the Minister has not been handling these correctly. Those of my colleagues involved in agriculture will be bringing details of their concerns to this House.

Last, I want to deal with the three major issues that I see in this Bill, issues that were not dealt with by the Standing Committee on Finance, Trade and Economic Affairs, in its hearings in September. These issues are the golden loophole issues. They are the ISIP issue, the investment tax credit issue, and the research and development tax issue.

First let me deal with ISIP issue. What happens here is that a person who invests in the shares of a company which happens to be listed on a Canadian stock exchange—and I may point out there are only about 1100 possible companies involved—can somehow set up a fund where any capital gains on those shares in that fund are indexed to the cost of living. Only the real gain is subject to tax at the capital gains tax rate. Losses are treated in the same fashion. Real losses, that is, what you lose when you lose money on an investment, are deductible in accordance with the capital gains deduction of losses. That may seem fair. That may seem that we are now recognizing that some gains are real gains and some gains are inflationary gains. Indeed, if we analyse the whole question of capital gains tax, we find that the Government does not make any money on capital gains tax, but it makes money on taxing inflation. All of a sudden, having recognized that principle, this Government recognizes that those who invest in listed stocks of listed companies will be able to have the advantage of paying capital gains tax only on their real gains and, what is even more important to those people, will have the right to deduct their losses from any other source of income.

You will know, Sir, that if you make a capital gain, you pay capital gains tax. But what if you make a capital loss? For example, suppose you were to sell your farm at a loss of \$100,000. You can write that loss off against other income at \$2,000 per year. It would take 50 years to get your loss back, but not if you have an ISIP. Buy shares and have them in an ISIP and have the shares go to pot; you can write all the losses off against other income immediately. Is that fair? In the name of fairness, this is what is presented in this Bill.

Even more important, this Bill treats investments, inputs, and calls and share options, all as part of a real investment scheme. When you put an option on some stock, there is no new investment in Canada. When you give somebody an option on stock which you may or may not hold, there is no new investment in Canada. That is a game only traders play. Yet the traders who trade behind the ISIP get their grain as a capital gain. They pay only half tax on it. If they lose, they write all their losses off. What a wonderful deal for traders. If

there ever was a definition of someone who is in the business, the nature of trade, and activity in the nature of trade, it is somebody who wheels and deals in the stock market in puts and calls. Yet these people are going to be given the golden loophole.

Talking about the golden loophole, my friend from Kamloops-Shuswap (Mr. Riis) talked about it. Let me give you the opinion of Lyman McInnis, a senior partner in Touche, Ross. He calls this program “a hell of a lot of bureaucratic machinery giving a benefit to investors who least need the help”. Even if you want to call them investors, the people who benefit from the ISIP are not the people who need the help. What we ought to be doing is having a provision to index or abolish capital gains for the little people in this country who invest in the plants, the farms and the businesses that make our country grow. These people are bottled by this Government, yet the people who invest in the 1,100 companies or so are treated with the golden glove.

This is not the kind of statute that a true Liberal Government would bring in. This is the kind of statute brought before this House by the friends of the brokers, the friends of the wheeler-dealers, the friends of the rich boys.

Let us go on to this investment tax credit and the treatment of the investment tax credit as our next concern. There is an advantage in the Bill. It says that if you have an investment tax credit in your company and you are a small business, this Government will give you back 40 per cent of your tax credit in cash if you apply when you file your tax return. If you are a big business, you can get 20 per cent back, and you can carry your investment tax credits back three years and forward seven years. That is all very well. But the Government then threw in a scheme to help the brokers, to help the big investors. That scheme involves a situation where a company can issue shares and the person who buys the shares can have the investment tax credits and take them off his personal income tax. If you want to get rid of your investment tax credits, issue shares. But to do that you have to have a prospectus. You have to have a lawyer and you have to have a tax accountant. The system is very complicated. One has to set up and pay a Part VII tax. Then one has to prove one's investment for a refund of that Part VII tax. If one does all that, the whole investment tax credit is written off, not by the businessman but by the fat cat investor.

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Is that not an interesting way of helping business? Is that not the way a Liberal Government goes? Is that the way to build Canada? They do not give the small businessman the money. They give him 40 per cent of his investment tax credit, but if he goes through the “whoopee-whoopee”, the guy down the street with the big bankroll gets 100 per cent of his investment tax credit in his pocket. Is that helping business?

I would like to turn to the R and D tax credit system. There is a dandy, there is a dandy! Many of us from Ontario know there is a provision whereby the Government of Ontario will give a grant to those who invest in R and D. One can now