

I must say as a lawyer who formerly did tax work that one important goal has not been achieved. That is the goal of simplicity. I would very much like to have seen a tax law which could be written on the back of an envelope, or a tax law which any citizen of this country could understand—a law which could be explained to anyone. Well, that objective has not been achieved. We are still very far from it.

In my opinion, the tax law which Canadians will face, commencing next year, will be one of far greater complexity than the one we know today. Some of the old chestnuts like the distinction between capital gains and income, which is responsible for over half the income tax cases heard in the courts, will be preserved. In addition to these there will be a whole raft of new cases on the question of tax-free reorganization and whether a sale of stock is a capital gains sale or whether it merely amounts to a tax-free reorganization. In the United States, one-third of all tax cases and something over one-third of all the pages of their income tax act deal with this problem. We are taking on this problem in the Canadian law so we shall be facing something very much more complicated.

Much as I regret these complications, Mr. Speaker, I think it better to have a complicated law which responds to the needs of a complex society, one with many different interests, situations and problems than it is to have one Draconian system on the one hand or to see huge discretion given to the Minister of National Revenue and his officials which would permit the legislation to be very much shorter. I am looking forward to a long and interesting tax law.

In my opinion, Mr. Speaker, this budget is pro-Canadian. I listened to the hon. member for Waterloo question whether tax measures are the way in which to assure Canadian ownership of the economy. I have as many doubts, perhaps, as he does. But he should remember that his own party grappled with this question at its last national convention, the Wafflers on the one side and the bagmen of the NDP on the other. They tried to wrestle with the problem of how to deal with foreign ownership and did not come to a solution.

They referred the matter to a committee to look into it. They are not ready to tell us from across this House what is the right thing to do. So if we try a number of tax measures, some of which will obviously be beneficial toward attaining the goal of Canadian ownership, I do not think they should fault us. They have no better ideas. What is proposed which is dramatic and important is that interest payments in carrying shares in Canadian take-overs shall be deductible. They have never been before, and so the Americans have had a competitive advantage.

● (b:20 p.m.)

The small business incentive only works for Canadian taxpayers. When a Canadian proposes to sell out to an American, all of that tax has to be repaid to the government, so there is a disincentive there. Surely this will have a positive effect. Pension funds are required to devote 90 per cent of their resources to Canadian invest-

The Budget—Mr. Schumacher

ment. This is an important improvement and one which will surely provide Canadian capital for Canadian investment.

The estate tax measure was argued for in committee as one which would affect Canadian ownership. I would like to consider that proposal further because at the moment I believe in an estate tax for large estates. However, we were told that it takes more than one generation to build up a business, and I know this is true. If we want to see important Canadian businesses built, they will have to be allowed a run at it as American companies were in the days when that economy was at the stage of development we are at now. The measure is proposed in that spirit. It is one which I hope provincial governments will note and one which I hope will bear fruit.

The capital gains tax at half rate is another measure along this line. I have given some negative reasons for it, but there is the positive reason that to favour capital has a stimulating effect on capital formation. This, of course, is most desirable.

It is important to note that taxes have never before been reformed in this manner. I think Parliament should be grateful and should acknowledge that the Minister of Finance paid careful attention to the work and the report of the House committee which considered tax reform. It was an all-party committee which travelled across the country. We worked together and met with and heard from thousands of taxpayers and the provincial governments. The proposals show that the work we did was taken into consideration, and I think the minister deserves a tribute for this recognition.

Some hon. Members: Hear, hear!

Mr. Kaplan: At lunch time today I met with a group of students from my constituency, Mr. Speaker. They asked about the credibility of the opposition and asked, "How can you take it seriously when a party in the House always has the responsibility to oppose even when something is good? How can they always be expected to oppose and still be believed?"

Mr. Ricard: You are making your own story right now.

Mr. Kaplan: I assure the hon. member that I am not. I told them that perhaps they were not taking into consideration certain important factors, one of which is that you can always oppose. If it is good you can oppose it for being too late, for being too little, for not going far enough. However, after listening to the interventions from across the floor I am beginning to wonder, whether these students were not right.

Mr. Stan Schumacher (Palliser): Mr. Speaker, we are faced with a budget which indicates that the government has not left the philosophy of taxing and spending. We have another increase in spending, and the taxing situation has gone along with it although it has been somewhat modified by planning for a three-quarter billion dollar deficit. This is a continuation of the philosophy