

Income Tax

Mr. Asper's words in the form of a question, and I would like to direct them to the minister.

Mr. Macdonald (Rosedale): Mr. Chairman, I think Mr. Asper has very clearly exaggerated the impact. If the impact has been so slight, to use the analysis of the hon. member for York-Simcoe, then very obviously it has not been a deterrent, and I think I would have to say that it has not been.

Mr. Stevens: When the minister says that the influence has been slight, I suggest with all due respect that perhaps he misses the point. As I understand the anxiety and the reaction of many investors, it is that they should put their affairs into a position where they will be subjected to a minimum of capital gains taxes and that they should do that either by deciding not to make new investments, or to make investments in some other jurisdiction which they feel is more hospitable.

Perhaps the greatest indication of the extent to which that anxiety has taken hold in Canada is the fact that the actual revenue which the National Revenue people are able to get into the federal treasury as a result of this tax is so small, obviously people are avoiding the tax as much as possible, which indirectly means they are likely taking fewer chances, and are less inclined to make investments than they otherwise would have been if the capital gains tax had not been put in place. Would the minister not agree that it is not so much a question of the actual revenue which falls into the till, but that it may be much more important to try to determine to what extent people are actually being deterred from making investments as a result of the impact of the capital gains tax in the country? I suggest that the only way this could be done would be by way of a survey or some monitoring apparatus.

Mr. Macdonald (Rosedale): With the capital gains tax an investor gets half the capital gains totally tax-free, in addition to the dividend income they have in the meantime. I think it is clearly an attractive investment. If in a particular period of time the equity market is depressed, as it has been throughout the world, obviously that is not the time to be looking for dramatic gains in this particular area. However, even with a capital gains tax on half the capital appreciation which may have occurred since 1971, I think it is still an attractive climate for an equity investor.

Mr. Stevens: In the figures we were able to get from the minister I believe it was stated that in 1974 about \$84 million was produced through the capital gains tax, on the assumption that the average tax would have been about 30 per cent. In the spirit of being quite frank on this I gave the government the benefit of the doubt when I used the \$90 million figure. Taking the minister's word that it was only \$84 million—and perhaps I was \$6 million too high as far as the production of revenue is concerned—I must explore this. I was quite startled at the reaction of the minister at the suggestion that the Canada Development Corporation investment in the proposed new venture of Mr. Asper was somehow something we should not be concerned about; that it is a corporation which has \$300 million of public funds; that somehow it is in orbit and that the

[Mr. Stevens.]

minister should not be called upon in the question period to respond with respect to that corporation. Mr. Chairman, I know your anxiety, but basically this point was raised by the minister. He stated that I was being something less than honest, to use his words, to suggest that \$7 million of public funds were going into this venture.

Does the minister not hold virtually all the voting shares in the Canada Development Corporation on behalf of the people of Canada which, as I say, are worth something over \$300 million? Does he not have the right to appoint four of the directors to that corporation? In his opinion does that right not also extend to asking them to step down if he feels they have not done a job properly, or for any other reason? Perhaps the minister could reply.

The Chairman: I should remind the hon. member that referring to a question is different from asking questions. That will bring about further development of a subject which is completely irrelevant to the clause before us at this time. I hope the hon. member will come back to clause 14.

Mr. Stevens: I will put the question directly. I have reviewed what I understand to be the minister's position with respect to the Canada Development Corporation, and he did say that I was less than honest in suggesting that somehow the government was investing those funds. Can he explain the points I have already put to him? By that I mean does he indicate that I am wrong in saying that he holds the voting stock in this company and has the right to appoint four directors?

Mr. Macdonald (Rosedale): Mr. Chairman, you are quite right; this has nothing to do with clause 14, and I will not abuse the House by going further into the details of the Canada Development Corporation.

Mr. Ritchie: Mr. Chairman, I would like to have the opportunity to say a few words on this clause. I have gone through the white paper on taxation and the changes in our taxation laws of the 1970's. I think it was felt then that those changes would deter investment, and I think there is no doubt that at the present time they are deterring some investment. What seems to be a bit unfair about the tax has been the fact of the severe and rapid inflation and the very great difficulty in applying the tax fairly.

In my own area where there is farmland, assessments are being made very autocratically, illogically, and really off the top of the head of the assessor. This is partly due to the fact that, at the time of the beginning of the tax, land prices were low. They have now multiplied two or three times, and in effect the tax on capital gains is a tax on inflation. It is no more noticeable than when taxing farm land.

Presumably the tax assessors are making up for lost time in many instances by being unnecessarily severe in their assessment of what the base price of farmland was at that time. I think this clause deters the small investor who is investing in land or in a utility of some sort, and it is a disadvantage to good business.