

staff were fully engaged all of that time and that they were working lengthy hours. He told us that there was extended cross-checking, drafting and redrafting taking place. Given the objectives laid out in the Economic Statement, he assured us that his people could not possibly have produced the legislation, mountainous as it was, in a lesser period of time than the six months which they had. I do not think that I should be disputing these assertions of the Assistant Deputy Minister because I have some understanding of the complexity of the legislation which they were being asked to review and revise. Rather, I think we should look at the endemic afflictions in the Income Tax Act and in the process of Government, and, in particular, the way that this Government handles that legislation. We should ask why those things were allowed to exist, have been allowed to continue to exist, and why the six months was necessary to prepare legislation which Parliament was asked, in committee, to review in the period of a single week.

I identified two causes for this breakdown in the legislative process. The first cause is, of course, the complexity of the existing Income Tax Act. I would like to quote from a letter which was sent to the Minister of Finance (Mr. Wilson) by The Canadian Institute of Chartered Accountants on March 29, 1985. On the front page of the letter, in bold type, doubled-sized, it states: "The Problem: The Tax System is too Complex". That is a pretty forthright and plain statement which should be completely comprehensible to members of the Government. The letter is from an organization which certainly could not be accused of being hostile either to the Government's philosophical viewpoint or, inherently, to its legislative program.

The Canadian Institute of Chartered Accountants goes on to state in the letter:

—simplicity must be a key component of an effective self-assessing system . . . The dramatic growth of commercial tax preparation services bears testimony to the fact that more and more taxpayers are finding individual tax returns too complex to complete themselves.

As a prime cause of the delay we have the length of time taken in the drafting and the complexity of the income tax system. The Canadian Institute of Chartered Accountants goes on to list some 50 recommendations aimed at simplifying the income tax system in order to make it more comprehensible to the average Canadian and easier to administer, thus, I would assume, making it more efficient in the collection of taxes. The Institute puts its ideas under the following headings:

- Simplifying Compliance for the Ordinary Taxpayer
- Directions for Change in the Taxation of Ordinary Taxpayers
- Complementary Directions for Change in Corporate Taxation
- Changes in the Style in Which Tax Legislation is Drafted.

● (1140)

Heaven knows, it shows an artistic tolerance to refer to the drafting of the Income Tax Act as having style.

In a 20-minute speech, it is impossible to cover these individual proposals for simplification, as it is equally impossible to cover my own ideas or those advanced by professionals and experts in this field. Let us say, Mr. Speaker, that having

gone into this process fully aware of complexity of the Income Tax Act, knowing the difficulty and the length of time taken to draft revisions in a consistent and arcane but understandable form, the Government took it upon itself to double its task and to compound the initial error by the second major factor in the length of time taken. I refer to the institution of the \$500,000 capital gains exemption.

This is an exemption on which the Government has already been, and very deservedly so, rebuffed by professionals. When I spoke to this Bill at second reading I quoted the comments of Canadian tax professionals. The comments were almost unanimous and were widely supported in the industry. It was pointed out that the \$500,000 exemption was alone responsible for well over half the drafting work required to bring this Bill to the House. Therefore, by a simple division we can calculate that if the Government had not persisted in this flawed initiative, if the Government had not pressed on, regardless, with its idea of giving a major break to the wealthy, and if the Government had not decided that its top priority in the revision of the Income Tax Act was the satisfaction of those interests whose support it saw as essential, it could essentially have given Parliament another three months and a far more workable, manageable and practical schedule for the revision of the Income Tax Act and a thorough review of those proposals at committee.

It is not my purpose today to go into a detailed examination or analysis of the capital gains tax regime as it previously existed and as it will exist now. I will, however, pose some fundamental questions. I will make some observations that I believe are highly pertinent to the whole question of capital gains taxation or, as we are going to have it, the tax free status of those capital gains. The oft canted phrase that capital gains taxation inhibits job creation is essentially an unproven hypothesis.

The level of capital gains taxation was in itself reduced compared with the level of taxation of other forms of income. The whole belief that in some way the presence of capital gains tax in Canada was leading people not to invest in small business because in some way they greatly feared they might make a profit at it and be able to sell it at a gain, defies common sense, and no analysis has been produced to prove or even to strongly support such a hypothesis.

The capital gains taxation as it was, and the tax free status that it will enjoy, flies in the face of the recommendation by, I believe, the Benson Committee that "a buck is a buck is a buck" and that all forms of income should be subject to taxation on a more or less equal basis.

It is a fact taken from the tax statistics published by the Government that 63 per cent, nearly two thirds, of all capital gains go to those people who have incomes of \$50,000 and over. They make up only 4 per cent of the population. We do not see what is accomplished by this tax free status the Government proposes. We do believe that there is certainly room for favourable treatment of capital gains aimed at keeping business capital in operation, and aimed at conserving, shall we say, a pool of business capital for the support of