

*Income Tax Act*

the provinces, and so there will not be a vast jungle created with the institution of a capital gains tax and the institution of estate tax, especially in respect of farms and investment.

These problems in respect of capital gains tax are important. The government has not differentiated between long and short-term capital gain; it has not worked out with the provinces this problem of dual taxation on estates at death either by capital gains deemed realization or estate tax, and this will create a tax jungle. Furthermore, in respect of farm land, and I now speak to the amendment by the hon. member for Edmonton West, I hope the government will consider this seriously and accept it. With the deemed realization at death and estate taxes in many provinces, farm estates will face an almost impossible situation. In many cases individuals concerned will not be able to carry on. The estates will not be able to turn the property over from one member of the family to the next. I seriously commend to the government this amendment for consideration and I hope some action can be taken.

**The Assistant Deputy Chairman:** Order. It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Fraser Valley West (Mr. Rose)—Public Service—Request for publication of report of Staff Relations Committee—implementation of recommendations; the hon. member for Sainte-Marie (Mr. Valade)—Labour conditions—Quebec—unemployment forecasts; the hon. member for Selkirk (Mr. Rowland)—Fisheries—Federal government participation with Manitoba in income support and retraining plan for Lake Winnipeg fishermen.

• (5:10 p.m.)

*[Translation]*

**Mr. Beaudoin:** Mr. Chairman, I have a few remarks to make about the section under study, the purpose of which is to make part of a taxpayer's capital gains taxable.

In this respect, the bill, if it were to go through as it is written at present, would certainly be unfair to small property owners—those who have had to take a 9 3/4, 10, 10 1/2, or even 10 3/4 per cent mortgage in order to buy, or have built, a multiple-unit house.

The question is: what is a capital gain? Is it the difference between the price paid for the house and the current sale price? If somebody bought a multiple-unit house 10 years ago, and now sells it for 25 per cent more than what he paid for it then, he is not making a profit: it is a capital loss rather than a capital gain. With the progress of inflation these last few years, I think it will be very difficult for the taxpayer to determine what a capital gain really is. Perhaps I would agree with the principle of the bill, that is to tax part of the capital gain, if the rate of inflation and the time the owner has owned the house were taken into consideration in the bill.

I would not want individuals to be considered on the same footing as real estate agents, for example, who make a living out of accumulated profits, one transaction after another, who can make 50 transactions a year. An individual who would realize a capital gain on the first or

[Mr. Ritchie.]

second transaction, during one year, should not pay income tax.

I would like to see some protection for the small owner with a bit of cash who borrowed money to buy a small apartment house and who, at the time of the transaction has already made a profit because in order that a house be worth buying or building, a reasonable profit margin must be expected, granted the fact that before this tax reform, capital gains were not taxable, the effect of which was to maintain rents at a reasonable level.

Taxing part of capital gains will contribute to increase the cost of lodgings. Low income people will still be footing the bill because owners will obviously have to make profits, otherwise they will not invest. If they fail to invest there will be fewer housing starts, more unemployment and the whole economy will suffer.

As for a capital gains tax on a family farm, I completely agree with the hon. member for Edmonton-West (Mr. Lambert). In fact, if a man who has owned a house or a farm for 10, 12, 15 or 25 years puts it up for sale and if the capital gain is taxable, this will not encourage those who intend to buy that family farm.

It is imperative that this bill make a difference between capital gains on long and short term investments. Furthermore, we should devise a method for figuring out the real profit in terms of capital gains.

*[English]*

**Mr. Flemming:** Mr. Chairman, my first thought in rising is to refer to the speech delivered by my hon. friend, my seatmate, a few minutes ago. My general hope is that the parliamentary secretary will carry the message to the government that was conveyed so ably to the House by my seatmate. I believe many valuable suggestions were made by him. I almost had the idea of getting up and saying "amen" two or three times to the speech of my hon. friend from Calgary Centre. However, since I am on my feet, perhaps I should make a few observations.

First of all, I wish to speak on the general idea of taxation. I believe taxation, and the means of imposing it, are very dangerous weapons. In general terms, I do not believe it should be considered desirable to impose taxes. Taxes are dressed up and called revenue, but really this amounts to taxation because something is being taken from people. So, while in the course of these remarks I do not intend to indicate any tremendous proposition in respect of capital gains compared to other taxes, I do propose to attempt to convince the House, and especially my hon. friend from Calgary South, the parliamentary secretary on one or two points.

I must say at this point that the parliamentary secretary has been most faithful in his attendance here during this debate. He has indicated a great knowledge of the subject, and I should like to pay him that tribute here and now. It would seem to me that a capital gains tax must discourage people. These remarks are directed especially to younger people. I believe it is a good thing to encourage people to invest their money. It is good to encourage them to save a few dollars when they have a pay cheque and can afford to do so. However, I think it is also good to encourage them to buy something which they consider to be good value from someone who has it to sell, especially when they think that sooner or later the value will increase.