

*Income Tax*

● (1140)

**Mr. Cosgrove:** Mr. Chairman, that would be agreeable, but I would reserve for the time being until I have had an opportunity to discuss this matter with the Hon. Member for Mississauga South. For the time being the Government would argue that procedure requires us to go back to Clause 1 unless we have the agreement of the Committee to do otherwise. I am willing to discuss this matter with Members opposite. For the time being, in the absence of the agreement of Members, the normal course of events is to revert to Clause 1 when we conclude the matter before the Committee.

As a further convenience, we are attempting to look at other Clauses that might be related to Clause 1 and produce those to Members opposite with explanatory notes, and thereby expedite business by putting up related Clauses for discussion at the same time.

**Mr. Blenkarn:** Mr. Chairman, that is the ideal type of arrangement. When we group Clauses that are related to each other, we can properly debate and dispose of them, much the same as we are disposing of a very large group of Clauses now with respect to the insurance industry, the annuity industry and so on. That moves the Bill ahead. It shows co-operation on all sides and makes it possible for proper representation to be made without undue delay.

**The Deputy Chairman:** Accordingly, debate is now proceeding on the group of Clauses which were brought forward for joint debate a few moments ago by the Hon. Member for Mississauga South and which were made an order of the Committee of the Whole.

**Mr. Hawkes:** Mr. Chairman, I would like to go back to my first question of the other day. I indicated that I felt the Government was embarked on a course that would make it more difficult for people to build up assets in anticipation of their retirement. In the context of that discussion, the Parliamentary Secretary indicated, and I quote from *Hansard*:

I suggest to him, as a general answer in reply to his general question, that from our point of view accrual is the fairest way of measuring income and, thereby, measuring tax liability.

I would like to examine that as my starting point for today. From our point of view, the Government is embarked on a determination which we find in many places in recent Government legislation to tax people on assets that may lie on the books but have not yet been acquired or begun to be used. Therefore, I put forward the perspective that I see this as a very unfair way of taxing. I will begin with a very short question.

A number of Canadians take their after-tax dollars and purchase such things as gold or silver, a commodity which in time rises in value. Over the last decade it has risen enormously in value. Does the Government have any intention of taxing it every three years on its presumed accrual value as an asset?

**Mr. Fisher:** Mr. Chairman, I understand that the accrual method is a generally accepted accounting method, and certainly by and large it treats assets similarly. For example,

people with Canada Savings Bonds or people with savings accounts are both treated in the same fashion by using this method, even though one person has cash on hand and the other person only has the financial instrument. In both cases people are treated in the same fashion and are given equal and fair treatment by doing this.

**Mr. Hawkes:** Mr. Chairman, I come back to my question. Assume that I buy gold, silver, coins or stamps and hang on to them for a period of time. Will the tax Department require me to value them periodically and, if the value has gone up, is it the intention of the Government to tax me on that accrued value?

**Mr. Cosgrove:** Mr. Chairman, in addition to Clause 5 there are approximately a dozen other Clauses in the Bill before us dealing with insurance and annuities. We are talking about accrual of tax on income. We are really strained when we get into examples and questions dealing with capital gains. The discussion could become confused. We could stray too far from the matter before us.

**Mr. Hawkes:** Mr. Chairman, I would simply repeat my question. We are engaged in a debate. It is a chance to ask questions and find out where the Government principle is. They have taken certain assets of Canadians and decided to tax them. On the previous day the Minister indicated that the fairest way to measure income was on an accrual basis to make it available for taxation. I simply ask what other commodities do they intend to apply this principle to. Will it be applied to stamps, coins, gold and silver?

**Mr. Fisher:** Mr. Chairman, the intention in this Bill is not to do that. It is not mentioned at all. The Hon. Member will know that capital assets such as coins, stamps, property or gold are treated differently and are taxed differently from other investments and savings.

**Mr. Hawkes:** In other words, the Minister is saying there are different kinds of property. Physical property will be taxed differently from paper property.

**Mr. Fisher:** Mr. Chairman, the Hon. Member is correct. There are capital gains, corporate income and personal income. They are all treated differently for tax purposes. The Hon. Member is absolutely correct in that. He is being somewhat hypothetical in his description of treating capital gains on an accrual basis.

**Mr. Hawkes:** Mr. Chairman, is there any intention to apply the same kind of taxation principle to paper property, such as common or preferred stocks?

**Mr. Fisher:** No, Mr. Chairman.

**Mr. Hawkes:** Mr. Chairman, can I go one step further. Maybe I could use as an example school teachers who work for Government, in this case provincial, and belong to a pension plan. They make a contribution to that pension plan on a regular basis. Their contribution is allowed to grow. Once a