

*Income Tax Act*

the one man who should be up on his feet protecting the rights of people involved in Canadian agriculture. To my knowledge, he has not made a speech. Undoubtedly he is not aware of the critical situation in which quite a large number of people are caught.

I noticed the hon. member for Battleford-Kindersley (Mr. McIsaac) was in the House a few moments ago. He stated that he was in favour of the minister bringing in an amendment to protect the people caught in this act. When the time comes to vote on this matter, I trust he and the hon. member for Assiniboia (Mr. Goodale) will give us support. If anything is worth doing, it is worth doing well.

On April 10 during the budget speech, as reported at page 4318 of *Hansard*, the Minister of Finance said the following:

The ways and means motion contains several other important changes. First, the current provisions which permit the transfer of farm land and buildings by a farmer to his children without payment of capital gains tax will be extended to incorporated family farms.

We took the minister's word at face value and thought that he meant what he was saying. Later we found out that either he was playing loose with words or did not know what he was talking about. We brought this to the minister's attention on April 25 in committee. As reported at page 23:22 of the committee report, the minister replied as follows:

I have been made aware of that complaint... I have received some correspondence on that and I have looked into it. We have discussed it thoroughly with the ministry of revenue, who made the interpretation, and I am planning to clarify those clauses in the bill which will be in front of the House following my budget. It is one of the amendments that I would like to put forward in order to clarify the interpretation.

The people who are caught in this are those who have set up family farm corporations but did not include all the farm property in that corporation. In turn, the corporation leased, rented, or entered into some form of agreement with the owner whereby the farm operation continued. With the interpretation given by officials of the Department of National Revenue, there is no means whereby this property can be rolled over to that corporation, or from the owner to a member of the corporation who is a descendant. There is only one thing that can happen in such a case, and that is that capital gains tax will have to be paid on the property when there is a transfer or exchange.

● (1532)

On April 25 the minister went on to state:

I do not want to put the blame—I just think it is an interpretation. I do not want to say that it is my shop or their shop. I just think, as Minister of Finance, that my responsibility is to change it. I do not want to know who made the interpretation. That is a fact of life that I want to correct. I think I would like to see the face of the man who made that decision. It was not me but I will correct the guy.

That is what this amendment is all about. We are asking the minister to take this legislation back to the committee of the whole and make this correction so that these people are not going to be caught in this horrible situation.

In the event of a death in a family there will be a sizable amount of money transferred from either the corporation or the individual to Revenue Canada. This is one of the reasons

[Mr. Towers.]

this deferral of capital gains tax is so important. In a great many cases if the tax has to be paid, the property will not be retained by the corporation of the family, but will have to be sold in order to pay the tax to the federal government.

On June 6 the minister in charge of the Canadian Wheat Board, who should also know what the situation is, had this to say:

In the case of this budget, the extension of this rollover provision to the small corporate farm is simply the completion—

Let me underline that word "completion". He is saying that this is a finalization. He does not realize that a great many people out in the field accept minister's words at their face value. I suggest they will find out too late that they are caught by this situation. That minister went on to say:

—is simply the completion of a piece of work which was started in a previous budget when the direct transfer of a farm from parent to child was already made a matter of special consideration so that the capital gains tax need not be paid at that time.

On June 12 I put a question to the Minister of Finance asking him to clarify his position, and this is what he said, as reported at page 6302 of *Hansard*:

The hon. member is talking about leasing land. If the owner wishes to do that, he can transfer the land to the corporation tax free before the rollover. That is the way in which the provision is understood by my officials, and there is no need for any change in the law.

Later on, as reported on the same page, I asked the following question:

—I should like to make this matter clear. Can a farmer who owns land that is being leased to a corporation which is the operator transfer that land without being subject to capital gains tax? Can it be sold or transferred to the corporation?

The minister stated in reply:

The questions asked by the hon. member are covered by the rollover provisions in the act.

The minister also said, in answer to a question by the hon. member for Moose Jaw (Mr. Neil):

If a farmer is making a transfer to another entity a third person, and not a corporation which he owns, he is required to pay capital gains. I was speaking about the transfer of lands to his own corporation. The transfer of farm lands has not been exempted completely from any capital gain. That is not what is meant.

The following morning before the committee of finance Senator Guay made the following statement as it appears at page 43:7 of the committee hearings of June 13:

I understand that it is quite common for farmland to be owned by a taxpayer who leases it to his farm corporation. In these circumstances it is the corporation and not a member of the taxpayer's family that carries on the farming business. Consequently, neither the current law nor the proposal in Bill C-56 would permit a deferral of the capital gains tax where the land is transferred directly from the taxpayer to his child. If you would like I can repeat that. I will give you a copy of it, if you like, to look at.

That is a pretty emphatic statement by the minister in charge of national revenue. It emphasizes the confusion in the minds of the several ministers involved with this legislation. Certainly those people who think they are home free in respect of capital gains tax and the rollover, not only corporations but private individuals, are really going to be caught. They will suffer because the value of land has increased to such an