

*Income Tax Act*

I say "amen" to that. People are also bothered by fear and frustration in respect of the direction in which we are going in this country. They are frustrated over tax reform and the fear they have concerning the proposed competition act, which is another classic example for the Canadian people of "big brother" government knowing best.

**Mr. Nesbitt:** A real dandy, that one.

**Mr. McCutcheon:** Yes, a real dandy. They have fear over the Canada Development Corporation which is really causing concern among business people. There is fear in respect of the workings of the regional development program.

So I say this would be an extremely good time for the Minister of Finance to come forward with an amendment, or to agree to this amendment so that farm and agricultural properties could be exempt. Then, as we progress with this bill he might do the same for small business. Farmers should not be called upon to pay capital gains tax on their equipment. This is a retrograde step; it cannot be classed as anything else. Because of the terrible pricing structure we have, farmers have been able to survive only because of the depreciation they have been allowed on their equipment. They have had to have good equipment in order to be efficient. About the only thing they have left is a little depreciation on the equipment they use. Farmers who had given exceptional care to their equipment were able to get a little more use from it over and above the depreciated value. Now even this avenue is to be closed.

I admit that the rate for recapture is not as high as it is on income tax, but none the less it is a major consideration. There will no longer be any point maintaining the equipment, because they will not be able to remain in business. They might as well wear it out as rapidly as possible and, when it is done, throw it in a fence corner and collect some of the government's welfare payments.

• (8:50 p.m.)

In conclusion, Mr. Chairman, I would like to quote again Mr. John Meyer, who in this article is talking about the tax reform bill and, in particular, pension funds. He summarizes the whole business of this tax measure in these words:

Beyond these considerations is the fact that the reform measures impose generally higher taxes on production and on savings at a time when increases in production and the generation of savings have never been in greater need of encouragement. They also impose unrealistic financial structures on business activity at a time when business activity has never been in greater need to recognize reality.

For all that, the sheer complexity of the legislation still is cause enough to delay its implementation. Parliament is being asked to pass judgment on a bill in a matter of months, which has been close to ten years in evolving to its present stage. It's being required to grapple with totally new concepts which, in the amount of rewriting that is having to be done, not even their authors clearly understand.

It's simply too much and is recognizably too much. Mr. Benson should make clear now that he'll settle for passage of the generally non-controversial sections of the bill while holding over, for continuing discussion and amendment, the controversial sections. That would be the first step. The second step would be to withdraw those portions of the bill which drag on business activity.

For the benefit of the hon. member for Winnipeg South Centre, who was not paying attention, I again say that the

[Mr. McCutcheon.]

author of this article was Mr. John Meyer. I would recommend that he read some of Mr. Meyer's articles. They make more sense than the Minister of Finance.

**Mr. Gleave:** Mr. Chairman, the proposal in the bill is to levy a capital gains tax on farmland, and the amendment which is before the House would exempt farmland from such a tax. I would like to address myself to the manner in which those who propose to levy a capital gains tax on land will establish the basis upon which to assess that tax. I want the minister to tell us upon what basis, on valuation day, are his officials going to establish the value of land. I ask the minister this question: Are you going to take the market value?

It seems to me that there are three alternatives for deciding the value of land on valuation day. The officials may decide to take the productive value of the land and attempt to establish that as the value. Alternatively, they may decide to work from the property tax basis, the existing tax assessment basis of the land. The minister and his parliamentary secretary may find this very amusing, Mr. Chairman, but I want them to answer because it is important to me as a farmer and it is important to my neighbours.

If they want farmers to hire assessors to put a valuation on our land on that particular day, in a manner satisfactory to the department, I want them to tell us that while we are still studying this bill—because one of the most important factors in the equation is not the amount of tax that will be levied on capital gains but the method by which the valuation of the land for farming purposes will be established at that point in time. I think it is up to the minister and his parliamentary secretary to answer that question before these sections of the bill are passed.

Let me remind the Minister of Finance that when we asked the minister in charge of the Wheat Board to consider net income as a factor in the provisions of his stabilization bill, he replied that nobody could satisfactorily establish the level of net income. Mr. Chairman, if no one can satisfactorily establish the level of net income, then I say by definition you cannot establish the value of the land, which is certainly one of the major factors in production costs.

**Mr. Osler:** Hooley.

**Mr. Gleave:** It isn't hooley at all; it is a fact. If you don't know that, you don't know very much.

**Mr. Orlikow:** He doesn't.

**Mr. Osler:** I don't know very much, but I do know that.

**Mr. Gleave:** Mr. Chairman, any economist worth his salt will tell you that the cost of owning land is one of the major factors in the cost of production of farm products.

**Mr. Osler:** In Assiniboia I asked a bunch of farmers what their land was worth, and they told me. They knew.

**Mr. Peters:** They sure told you on election day.

**Mr. Gleave:** They will say anything to greenhorns in Assiniboia, and grain traders are their favourite mark.

**Mr. Osler:** Not being a greenhorn, they told me anyway.