

Income Tax

to begin a small business. In fact, Mr. Speaker, the discouragement for people to invest anywhere in Canada grows.

Equally, for example, prior to the November 1981 budget, Canadians were beginning to discover the advantages to them, as employees, of taking loans from their employers to buy shares in their business, and that is something that some of us in the business sector use in order to encourage employees to do that. It is a shame that the Government chooses to destroy one of the few remaining sources of capital for small businesses.

Finally, let me deal with one large measure, if I may, that affects a great number of my constituents, and that is, the continued attack on the life insurance industry. Admittedly, there have been some changes and some of the worst parts of the measures have been withdrawn, but it is clear to those in the industry that a continuing and unfair tax on a preferred form of tax investment is being made in this Bill.

In conclusion let me remind those who watch this that today we heard one of the Ministers protesting that we are never going to see a future income tax amendment, based on their income, to tax those who live in apartments. That was in Question Period today. I wish to remind all those affected by this Bill that it was when it was first brought in we saw the first introduction of an intent by the Government, which I am sure will be in the next one, to put a tax on those who own homes.

● (1730)

Mr. Len Gustafson (Assiniboia): Mr. Speaker, as a farmer and a businessman I consider it a privilege to speak in this House on Bill C-139 on the general direction of the income tax Department. It has caused a great deal of problems in terms of people being able to project their business operations and look ahead into the future with some optimism because they do not know where they are headed.

The Bill before us today contains some 130 changes. It is a clear indication of the direction in which this Department is going. This is very frustrating for the taxpayers of Canada. If there is anything that should be straightened out in this country, it is that some clear-cut direction should be given to people so that they can understand what the taxman requires of them. All you have to do is to look at this Bill to see how complex it is. The average citizen does not understand it.

There is a major problem plaguing the farm circle and business circle. The Government is circulating volumes and volumes of paper. It takes a tax lawyer and an accountant to understand them. I suggest that many times they do not even understand. It will take two to three years to iron out the whole direction because of the changes brought in this past year by the former Minister of Finance.

The accountants in my riding are confused. They continually phone my office about the problem and ask whether there is any solution. We look forward to a budget in April that will be even more confusing to the taxpayer, more confusing than any in the history of this country.

This is a very serious situation. The Government set up a Royal Commission. I am sorry, Mr. Speaker, I was not aware

there was to be a change in the Speaker's chair. I thought you were cautioning me.

The Government has set up a Royal commission to inquire into the economy. One of the greatest problems we face in terms of the economy is that business people and farmers do not know in what direction they are heading. They cannot plan their business affairs. If this Government is going to be put on a sound economic footing, it must begin by writing the rules in a clear and simple fashion which people can understand. I would like to single out some specific areas.

Since 1971 the Income Tax Act and the matter of addressing the capital cost allowance and capital gains tax for farmers and businessmen has been battered around. I do not remember an election in which the Liberal Government did not promise it would address the problem of capital gains on farms. I suggest the problem is just as severe for small-businessmen. On many farms the tax has been paid by three generations. Even though the tax has been paid by one generation and the next generation, when it is passed to the third generation, it must be paid again. We have a system in this country which is counter-productive. It has reached the point where the Government has almost taxed people out of business. The taxes now being brought in are so restrictive that they are counter-productive to the country's welfare. If there is to be an inquiry or Royal commission into an area of the economy, it should first study the Income Tax Act. If we are to have the type of incentive that is needed for production, we must address this very serious situation.

What about the incentives for the small-businessman? Once you tax to the point where you must pay out \$1 for every dollar that goes into your pocket, you question whether it is worth-while. In all the years I have been in business, I have been hiring men for my farm operation and my business operation. There is very little incentive for a man to work overtime. Once he is earning a reasonable wage, if he wants to earn an extra dollar in overtime, the biggest part of it will go to the taxman. Why should he worry and bust his back working a few extra hours just to make an extra dollar?

The whole system is backwards. There might be a good argument made for a tax system that goes in some other direction. There should be an inquiry into the very serious problem that exists with regard to taxation.

I would like to deal now with the capital gains tax on the farmer and the misuse of that. In 1971, the average quarter section in my area was worth about \$10,000 to \$12,000. Today it is worth approximately \$60,000 to \$80,000 a quarter section. The farmer paid tax on every dollar that went into buying and then maintaining the farm throughout the years. Today when the land is being passed from one generation to the other, especially in cases where the farmer cannot afford to give it away and must sell it, the taxman wants 50 per cent of every dollar for taxes.

Let us take the example of someone with an annual income of \$20,000. The tax on the quarter section of land on top of