Income Tax Act

did not have the nerve to disobey his senior. He wants to climb up the political ladder so he is a "nicey, nicey" boy.

Mr. Jerome: Be serious.

Mr. Danson: He is not climbing; he is being elevated.

Mr. Horner: I am glad the hon. member added that he is not climbing, he is being elevated. That is it exactly. He knows how to be elevated; it is through being a "nicey, nicey" boy to his superiors. That is not the role that Calgary wants him to play.

Mr. Danson: It is through ability.

Mr. Horner: It is my information that there is a two-year holding period for cattle, females and bulls, and for horses. The American provision is to this effect:

Long-term capital gain treatment will not apply to the sale of cattle and horses acquired after 1969—

This is a new departure.

—unless they have been held for at least two years for draft, breeding, dairy or sporting purposes.

That is very different from our concept. If they are held for two years, in essence they can be put into what we in Canada classify as the basic herd and come under the application of the capital gains tax which will apply on that capital asset. There is no doubt in my mind that a rancher involved in the livestock business—this is the gut issue—is in a better position than his counterpart in Canada after the application of the capital gains tax when the basic herd is dispersed.

I ask the parliamentary secretary and the Minister of Finance through you, Mr. Chairman, if they really think that a rancher in Canada is in much better shape than his counterpart in the United States? Let us examine the situation and see what a rancher in the United States has to contend with. Does he have to feed all through climatic conditions like ours or can his cattle run throughout most of the winter? Everybody knows the answer to that. He has a weather advantage in raising cattle. If we are to compete with him we need a tax break in regard to land costs or in the application of the capital gains tax to the capital asset.

Who is in the better position with regard to proximity to the market? The American ranchers have to feed 220 million people and this tremendous market is close at hand. How far is the midwest from the large population centres of California, Chicago and the eastern states? Not too far. They can move their cattle to population centres north, south, east and west. Ranchers in this country can move cattle to the population centres of central Canada and a portion of the lower mainland of British Columbia, a long way from the ranching areas of western Canada. We are at a disadvantage in regard to both climate and market. We do not have as many people to feed and they are a long distance from the ranching areas. On top of that, this government proposes to bring in a capital gains tax which will remove the basic herd concept and is more detrimental to us than the capital gains tax is to our competitors in the United States.

Already the government is saying, "get rid of the small farmer", and there is no doubt in my mind that they have the same intention regarding ranchers. The rancher does

[Mr. Horner.]

not come to the government begging for assistance or handouts; he wants an even break. What kind of break is he getting? The hon. member for Calgary South is afraid to rise and put the facts on the record. The Minister of Finance smugly sits there and does not answer. The rancher has not come to this government or other governments asking for interference or handouts but he is a skilled lobbyist when it comes to demanding a fair break.

Let us examine the record. Are there a lot of ranchers that have to be put out of business? Are we overproducing livestock?

Mr. Bigg: They are all free men.

Mr. Horner: The opposite is true. The minister in charge of the Wheat Board comes out with a regrazing program. The former premier of Saskatchewan came out with low-interest loans to encourage farmers to go into the livestock business. What are we setting the trap for? Is the livestock man a sucker? He is not, but he comes here and argues that he should be given equal treatment with his competitors.

We are not overproducing in Canada. In fact, we have absorbed a great deal of beef from the southern hemisphere without harming our livestock industry. From time to time cattlemen have complained about the importation of Australian and New Zealand beef, but we have survived.

The Deputy Chairman: Order, please. I regret to interrupt the hon. member but I do so to inform him that his time has expired.

● (11:40 a.m.)

Mr. Mahoney: Mr. Chairman, if the hon. member were to open his ears perhaps he might be able to hear better what is being said here. In the first place, I wish to make it clear that I did, indeed, undertake to look into this matter last night and I came prepared with an answer. At no time during the debate last night did I indicate that the government had not looked at the United States capital gains system because it is obvious that the government has looked at that legislation as well as at other capital gains systems. The United States does not have a tax concept identical with the basic herd rules which have been applied in practice in Canada in the past, but it does permit capital gains treatment on the sale of livestock held for draft, breeding or dairy purposes if it is held more than 12 months from the date of acquisition. For their purposes livestock includes not only cows, horses, sheep and swine but also mules, donkeys, goats, fur-bearing animals and other mammals.

Treated as a capital gain, the United States tax on disposal of a herd could be higher than the tax which would apply to a capital gain of a like amount in Canada. In the United States one-half of a capital gain is included in income and with a top personal rate of 70 per cent the effective rate on such gains would be 35 per cent. In addition, under the recent tax reform in the United States the untaxed half of a capital gain is treated as a tax preference item and subject to additional tax. The additional tax is a minimum tax of 10 per cent which is applied to part of a preference item under a special for-