

*Income Tax Act*

the statute law relating to income tax—Mr. MacEachen—Mr. Ethier in the chair.

On Clause 1—

[*Translation*]

**The Deputy Chairman:** When the committee rose last evening, clause 1 of the bill was under consideration and the hon. member for Assiniboia (Mr. Gustafson) had the floor.

[*English*]

**Mr. Gustafson:** Mr. Chairman, last evening at ten o'clock I was saying that I was somewhat concerned about Bill C-54 and the direction it seems to take and about the Income Tax Act in general, as well as the procedure which the government is following and the policy it is setting down for the people of Canada in the tax measures before us. I drew a comparison between what is happening in the oil industry in western Canada today and the type of measure which we find before us here which is having a negative effect on the economy of Canada.

I should like to say at this point that I think it is very important for us to take a positive look at the direction in which the Canadian economy should go, and I would like to make some positive suggestions today, particularly from the agricultural perspective in view of my background, relating to the measures in the bill before us.

I am sorry that the Minister of Finance is not here today to hear these recommendations, but I hope they will be passed on. I was referring earlier to the Income Tax Act which had a devastating effect on the economic expansion of the country and on the oil industry in western Canada. In my own town of Assiniboia and within my riding the oil industry has been so curtailed that many of the supply companies, many people working on the oil rigs and in the service companies, have been laid off. Approximately 50 per cent to 75 per cent of those people have been laid off, and those numbers are not unusual in oil production areas. For example, PanCanadian in western Saskatchewan is suggesting it may have to close 77 per cent of its oil production. If you are familiar with oil production in southern Saskatchewan in particular, Mr. Chairman, you will know that 50 per cent of the oil wells in southern Saskatchewan produce less than ten barrels of oil. So it is most important that some type of positive direction be given to this industry.

The measures contained in the Income Tax Act and in the bill before us will have the same type of restrictive effect on the whole economy of Canada. This has been going on in Canada for a number of years, and if we do not change this direction we will have more serious economic problems in Canada. I want to relate in particular what is happening with respect to the capital gains tax on farms, a problem to which this bill has not addressed itself.

● (1620)

In the last election the Liberal Government of Canada promised some provisions for the benefit of farmers, particularly relating to valuation day of December 31, 1971. Those

measures have not come about. The farmers of my area have been seriously asking about this because what simply happens today is that they take the 1971 valuation day and multiply it by 4.5 times the assessment of the land, and that is the value of the land which the income tax department uses. What will happen to farms and small businesses if the government continues in its present direction? It will force many farms, particularly family farms, into serious economic situations. I suggest to the minister that we must look into the future in regard to this type of legislation.

I see a very serious situation coming about in the province of Saskatchewan. It relates to the ownership of farms, the entire subject of capital gains, and exactly the direction in which the agricultural business is going. Under the land bank scheme the government of Saskatchewan bought over one million acres of land, that is, over 62,000 quarter sections of land. It is owned by the government; it is state-owned land. If the present direction of the government continues, there will be state ownership of land in Canada.

The present direction seems to be evident in what the Liberal government and the NDP have been doing in the constitutional talks as they look at the amendments to the constitution, clause by clause. When it came to the right of ownership of property, it is interesting to note that the Liberal party and the NDP seemingly agreed that that right should not be within the constitution.

The ownership of farms and land is very, very important to farmers. I would suggest that we should be addressing more positively the situation of capital gains tax on farms. If we do not address ourselves to that problem, the state, the government or whoever, will one day own the farms of Canada. It will be a sad day for production; it will be a sad day for Canadian farmers when they no longer own the land on which they produce grain, raise beef or whatever; it will be a sad day for Canada.

It is important for the minister and his department to start looking at the direction of agricultural production. Some of the restraining measures in the Income Tax Act have a counter-productive effect upon the ability of farmers to produce. I should like to speak very generally about something I have experienced, having had a history in agriculture, and the importance of it.

A farmer who may have anywhere from \$500,000 to \$900,000 invested in his farm is allowed the same depreciation and the same personal deductions as a wage earner. But, we must remember his investment in his farm, particularly with the present inflation, the high cost of machinery, the inflated cost of land to which we addressed ourselves a little earlier when we discussed capital gains, the inflated cost of repairs, and the high costs of production. Certainly a farmer who has been established for many years does not find himself faced with a major problem; but the young farmer who is trying to buy a farm, to pay high rates of interest and to make capital payments on his principal, finds that out of the small amount of money he is allowed to make after paying his high rate of income tax, he is not able to meet his obligations and to make