

*Income Tax*

It is a well known fact of farm life that the capital requirements of a farm operation are very high, primarily because of land values but also due to the very high capital cost of breeding herds. These farm capital costs are so high as to make returns on investment in farming much lower than comparable business operations. I suggest that a 2 per cent or 3 per cent return on invested farm capital is quite common, in comparison to rates of two or three times this return in business operations. Taxes payable by any family farm operation, whether incorporated or not, require a higher percentage of the profit structure. This is especially true when the roll-over provision is not applied to incorporated farms.

At the meeting I referred to earlier with the Minister of Finance in March, 1974, there appeared to be genuine interest and sympathy from the minister with respect to this matter. He suggested to our tax committee that because of the implications of our request, the so-called small business side of our society had to be seriously considered and he could make no decision at that time. He also suggested that his department must determine, in fairness to small businesses, if the roll-over provisions for small family businesses should also apply to them. To use the current phrase, I ask sincerely, why not? Surely a suitable definition of the term "small business" or "small family business" could be arrived at. This possibility could be given serious consideration. I think the minister has got into difficulty because he cannot adequately define a small business. In summary, I suggest that clause 38(7) of Bill C-49 has indeed done justice to the individual family farm, but at the same time it has drawn attention to a remaining injustice to other family farm businesses which do not enjoy this privilege.

● (1630)

Last night the hon. member for Victoria (Mr. McKinnon) made some practical comments about the peculiar situation relating to perpetual bonds. The matter I am referring to concerns at least 300,000 Canadians who have an interest in Canadian Government annuities. It seems to me that Bill C-49, which relates to income tax amendments, would have been an ideal vehicle for the government to bring about compensation in an up to date and meaningful way for the use of private funds from annuities, since these funds now earn interest rates which are less than half the rates which could be earned in other types of investment.

This is a subject I hear about quite regularly, mostly from constituents who have paid into government annuities for many years and now are approaching retirement. The official response of the Minister of Finance or his parliamentary secretary seems to be something like this, "A contract is a contract", with absolutely no action except to say they are trying to resolve the matter. Surely the government should recognize its immense moral responsibility to find a fair and just solution for its annuity holders.

If the government cannot bring annuity interest and pay-out rates into line with today's prices, or allow annuity holders to regain their capital investment to reinvest at a much fairer return, would the minister not give serious consideration to implementing flexible interest rates for annuities which reflect current levels of interest in the

[Mr. Hargrave.]

economy? This has been done in other countries, namely, the United States and the United Kingdom. Or, why cannot the minister permit the government to make fully deductible pay-outs to annuity holders for the full term of the contract? Why could this not be done, instead of allowing premiums to be tax deductible only for that period prior to allowing premiums as tax deductible items? Finally, I suggest that annuity holders are entitled to a guarantee that the principal will be returned, instead of a guarantee made in some cases that payments will be made only as long as the annuity-holder lives.

**Mr. Jack Murta (Lisgar):** Madam Speaker, in participating in the debate on Bill C-49 I wish to speak about certain aspects which may not have been covered so far. I am particularly interested in one aspect, that of additional income tax cuts which would bring the total tax reduction to 8 per cent. I hope to show, before I finish speaking, that this can be done. If we limited government revenues we could control or reduce some government expenditures.

I think all Canadians, and people in other countries as well, are concerned about the escalating cost of government and escalating government expenditures. Bearing this in mind, it is interesting to note that in the 1974 fiscal year the government spent some \$20 billion. In the 1976 fiscal year, according to estimates, government expenditures will rise to \$28.2 billion, or by 44 per cent over two years. Contrary to what Liberal supporters have said, I and my colleagues believe that if we were to try we could bring what appear to be uncontrollable government expenditures under control. The Canadian people want this; it is what they expect their leaders to do. The calls for restraint made by the Minister of Finance (Mr. Turner) to various segments of our society will be helpful, but that is not enough. The government and parliament must show that we mean business, and one way of showing this is by further cutting taxes.

Consider personal income taxes. In the 1974 fiscal year the government took in some \$7,926 million in personal income tax. In 1976 it will take in, according to estimates, \$11,350 million in personal income taxes. The government intends to take from the Canadian people by way of tax an extra \$3.4 billion in two years, or 40 per cent more in personal income taxes. This situation, given the present rate of inflation, alarms the vast majority of Canadians.

In 1974 the government took in, through direct taxes—and I have mentioned income tax—\$11 billion. By 1976 this amount will have risen to something like \$15.9 billion. We shall see a 40 per cent increase, or almost \$5 billion more paid in taxes, in two years. If the money is available to the government—and I think this applies to every government in the western world—it will find ways of spending it on different programs. Make no mistake about it, the Government of Canada has the money. It has deposits of almost \$5 billion with the Bank of Canada. It could easily give \$500 million back to Canadians in the form of tax cuts at this time. Apart from putting more money into people's pockets, this move would instil confidence in our economy and would enable us better to tackle the problems which face us in 1975. The Canadian taxpayer, I think all in this chamber would agree, deserves a break: he has been under continuous pressure for too many years.