

*Income Tax Act*

When the government has this matter under consideration I hope it will give adequate consideration to the situation of small as well as large livestock producers. The position of the small and medium livestock producers must be given serious consideration. The small producer is often in a difficult position because he may not be able to afford or may not find it economic to acquire the skilled assistance and the expertise that may be necessary to take full advantage of the provisions which may exist in the tax law. In fact, some provisions may operate in a different way for a small, individual producer than for a large producer or a large incorporated enterprise. When the government reconsiders the matter, I hope it will give full consideration to the particular problems of small and medium livestock producers because I think the government has admitted in relation to other proposals which have been brought before the House and comments which have been made by ministers and officials of the government from time to time that a real problem exists in Canada with respect to small farm operators who are living on a low farm income. Ways and means must be found to assist these small farmers to expand their operations and to develop viable economic units. This should be taken into account in the framing of tax proposals concerning the treatment of livestock producing because one of the major areas of agricultural production and expansion is centred in livestock production.

Some real problems exist in Canada at present because more and more of our livestock production is becoming concentrated in the hands of large producers and of corporate enterprises carrying on specialized operations where in fact the owner of the operation is completely or far removed from the operation itself. It is a different sort of situation, an entirely corporate type of situation, compared with the traditional links that have existed in the family farm type of operation, or an operation in which there was an association between the ownership of the operation and the labour input of the operation. Thus I hope the government will give the fullest consideration to the operations of small producers and will come up with proposals that can be passed by Parliament and meet with the approval of all interested parties in this regard.

• (12:40 p.m.)

There is just one other aspect I want to raise, and I hope I may be permitted to place it before the government at this time. If the parliamentary secretary has any comments to make on this proposition I would be pleased to hear what he has to say. Yesterday it was noted in the debate that the effect of the change with regard to the basic herd provision would be to force many farmers to change over to an accrual type of farm accounting from the cash type of farm accounting, even though the option exists in the act. However, the practical effect would be to force many farmers to move over to an accrual type of accounting. It seems to me that this poses some other problems because there are many instances of farmers who are engaged in a mixed livestock and grain operation. Those farmers may be forced or may feel that their best option is to go into a livestock type of operation. But that still leaves the grain operation to be considered, particularly in the prairie provinces. The parliamentary secretary and the government will be aware that a farmer

has no real control over the time when he may be able to market his grain. This is entirely dependent on the setting of quotas. The question of when market opportunities may arise is determined entirely by the decisions of other people. The farmer does not have control over his own situation. He cannot exercise control over when to ship his products to market.

I think the parliamentary secretary will agree that this is one of the basic reasons for keeping the cash accounting option open for farmers. This is one of the factors. But what is the situation with respect to a mixed livestock and grain operation? Will the farmer who finds himself in a position of having to switch over to accrual accounting with respect to his livestock operation be forced to use accrual accounting with respect to his grain operation? It has been suggested to me that this in fact would be the case. This would pose many serious problems for many farmers.

There are many farmers who, in recent years, have been forced to keep the grain they have produced in storage for a period of several years, in some cases for periods of up to five years. This, of course, would mean that a serious problem would be faced by some of these farmers who had been forced to keep their grain in storage for an extended length of time. Thus I hope the parliamentary secretary will be able to comment on this matter and also consider any changes that may have to be made or should be made in order to clear it up.

There is one other point I want to take up at this time. It has to do with a section which is not before the committee at this moment but is related to our considerations at this time. I refer to section 12(1)(g) as found on page 26. Section 12(1) provides for amounts to be included as income from business or property. Paragraph (g) then deals with the matter of payments based on production or use. It reads:

(g) any amount received by the taxpayer in the year that was dependent upon the use of or production from property whether or not that amount was an instalment of the sale price of the property (except that an instalment of the sale price of agricultural land is not included by virtue of this paragraph);

That does provide for an exclusion so far as this paragraph is concerned, but I want to clarify with the parliamentary secretary whether that means that there are other instances where in fact such an instalment of the sale price would be included in the computation of income? Are there other circumstances where this would be the case? I would hope the parliamentary secretary would be able to clear up this point when we are on a discussion of farm matters.

I also want to ask some questions with regard to section 31 of the bill, following up on the questions which were raised by the hon. member for Battle River. Section 31, of course, has to do with the matter of losses from farming operations.

As I understand the answers given by the parliamentary secretary to some of the questions posed, if it is considered that a person is engaged in a farming enterprise such that his object is to gain income from that enterprise, even though he may be combining his line of work with farming, or in fact at the same time he is carrying on another line of business, possibly carrying on a business of some sort, a store operation, a trucking operation, or possibly