

Income Tax Act

It may be that the absence of a capital gains tax has contributed to the decline of farm prosperity in this country. A few years ago farmlands were the subject of heavy speculation. People were raising the price of farmland with the result that a farmer's son could not buy from the father at the price being asked. One difficulty facing agriculture in this country is the result of overcapitalization of land and the inability to derive an effective return from the land. The amendment we are considering will not help the farmer but might exacerbate the situation in which he finds himself. For that reason I find it difficult to support this amendment and look forward to a more suitable one being moved later.

Mr. McCutcheon: Mr. Chairman, I do not think anyone in this chamber is not in favour of equity in taxation or would not applaud the application of a capital gains tax on windfalls. I am talking about the so-called extravagant gains we hear so much about which some entrepreneurs have made on the stock-market and others who have reputedly made tremendous gains on the real estate market. I think I speak for everyone here when I say these people should pay a fair tax. But I suggest we are putting out an awfully big net to catch the few who have profited in the way in which I have suggested. It will, in fact, catch many of those who have scrimped and saved to put together a few bucks for a rainy day out of their salaries and wages from factories and industries or their incomes from the little corner grocery store to which the hon. member from Halifax-East Hants referred to the other day as being a mamma and papa type of business.

It is interesting to note that with all this talk about people making inordinate profits from the stock-market, a study of the results of stock-markets in this country over the past 10 years does not show profits of anything like those suggested. As a matter of fact, I am informed that the professional investors in Canada are not looking today at stocks for great growth factors but are investing in mortgages and bonds.

I do not think this amendment will have the effect for which our emotional patriots are calling, that is, to buy Canada back. If there was any time in the history of this country when we needed risk capital for expansion and the provision of jobs, this is the time. We are discussing an amendment which would have the effect of relieving farm property of the capital gains tax. I suggest, with great respect, that small, independent businesses could well be included under this umbrella. It is not the time in the history of Canada to implement this capital gains tax. Perhaps my reason is a little vague to some hon. members.

We will have a valuation day for farm property and independent businesses, no matter where they are situated in Canada. There has never been a time when the selling price of farm property has depreciated more than it has in the last couple of years under this government. The same argument pertains to small businesses which are now going begging. I had occasion to look at a farm in my area which would have brought \$100,000 two years ago had it been put on the market.

Some hon. Member: Are you buying?

Mr. McCutcheon: Not at those prices. I would be afraid to offer \$75,000 today because I do not think there is a buyer on the horizon who would touch it at anything like that price. Yet this is the time we are going to value farms and put on the capital gains tax. I am optimistic. I am looking forward to the day when we get rid of this government—

• (8:40 p.m.)

Some hon. Members: Hear, hear!

Mr. McCutcheon:—and the value of a farm or a piece of property will return to what it was and should be. This government intends to grab such property because it is to be valued right now, while it is depressed, at fire-sale prices.

I am also disturbed that every small, independent business in this country is in virtually the same boat. I refer to grocery stores, independent hardware stores and many other small, independent businesses. The thrust of this legislation is toward the elimination of independent businesses. This is found all through the legislation. The unfair treatment accorded these citizens has been ably pointed out during the debate. Small, unincorporated businesses are unable to take advantage of the provisions that are readily available to big business and big government bodies. The mandarins in the government service would much rather be able to place a person on a punch-card and put him through a computer than have to deal with an independent businessman who thinks for himself.

This legislation would appear to be designed with only one thought in view, and that is to make the federal government independently rich by obtaining more money at the expense of the taxpayer who has two other jurisdictions on his back. I refer to the provincial and municipal governments. No thought has been given to the fact that it is the same individual who must pay all three levels of taxation. I submit that capital gains should not be implemented at this time because of depressed land values, depressed property values and lack of investment funds for development programs.

It is interesting to note that John Meyer, writing in the *Montreal Gazette* of October 6, 1971, said that we need investment to create jobs. He said:

Canada has the fastest growing labour force, relative to population, in the western world. The cost of creating jobs for the entries into the labour force is on the rise. The investment required to create a new job in conventional manufacturing is around \$25,000; in advanced manufacturing—an oil refinery as an instance—around \$70,000. The trend towards rising investment per job created is accelerating with each technological advance.

One might ask what cost is involved in developing a job in agriculture. Someone might say it would be somewhere between \$25,000 and \$70,000. I, however, very much question if it can be done at those figures. To create an efficient job in agriculture, in my humble opinion, would require the accumulation of a minimum of \$75,000 to \$100,000 of capital. How can that be done if we implement a capital gains tax on farms? Mr. Meyer continued:

At the same time, successive federal governments have laid the foundations for, and erected most of the structure of, the most comprehensive and generous welfare structures in existence. The generation of the income to finance it, is already straining our resources.