

Income Tax Act

Canada. They are all affected, even those in the Renfrew area. I understand from what has just been said that this is an area of poverty.

An hon. Member: They have no member to represent them.

Mr. Moore: This is the message I got. This is one of the largest groups of farmers in the country. Under this legislation I feel that this group will be shafted, if not ignored. Many dairy farmers are forced to retire earlier than other farmers. This is a very important point. There are different reasons for this early retirement. One reason is that they are forced to retire because of recent government dairy policies. The second reason is unavailability of help. Third, the physical strain on the operator precludes him from carrying on his operations into old age. Therefore, he is very much affected by this legislation.

Some dairy operators are on rented land. When this is the case, their only equity is the dairy herd. On having to disperse his herd, he does not have anything left but the proceeds of the dispersal sale. This refers to a basic herd. If he has no basic herd, the whole amount obtained from the sale is taxed. In other cases a dairy farmer may have to sell his herd but continue to live on the land. The basic herd at least enables him to hold on to the full proceeds from the operation of the herd. That is basic in the case of a herd dispersal. The dairy farmer, to a great extent than other farmers, can reclaim little from the huge investment he has in dairy buildings and equipment. What does he have left from his years of labour? He has much less left if he cannot take advantage of the basic herd. Every farmer who has a herd dispersal sale is faced with the fact that much of the proceeds go to the government that year.

Further to what my colleague, the hon. member for Vegreville, said concerning the Senate committee report, the House of Commons committee report on the white paper proposals stated that since taxation was recommended on a capital basis this necessitates retention of the basic herd concept. As we are hearing speeches of compassion for the farmers, even at this late date, from members on the government side, possibly they can be urged to show some compassion for the man who has worked long hours for many years with little hope of return.

Mr. Mahoney: Mr. Chairman, I have been asked a number of specific questions. I apologize to the hon. member for Swift Current-Maple Creek, but I would like to get these answers on the record before private members' hour. I shall not be too long.

Mr. McIntosh: Why not get answers to my questions on the record also?

Mr. Mahoney: If I am not too long, and you are not too long, perhaps we will. If the hon. member has some specific questions I will certainly yield the floor to him.

In his opening remarks the hon. member for Regina East suggested that I had asked to have section 29 stood in order to permit the government to give further consideration to it. If the hon. member checks the record he will find that I agreed to a suggestion by the hon. member for Crowfoot to that effect. Indeed, the matter has been thoroughly reconsidered. The government feels that its original

decision was correct, namely, that the concept of the basic herd is of little or no use in the future, with the institution of the capital gains system.

• (3:30 p.m.)

The hon. member reiterated the argument of cash basis versus accrual basis for accounting purposes, and suggested that somehow or other something in the bill forces farmers and ranchers to convert from the cash to the accrual system notwithstanding the provision in the bill that they can continue to account on a cash basis.

Again, this is not a conclusion that we accept as valid. It is true that it might be good business for a farmer or rancher to switch to the accrual method of accounting because in that way he would pay his tax on a more even basis over his lifetime and not encounter a fairly large lump sum tax liability in the year he discontinued his farming operations. However, that is the choice that he has. I do not think total tax liability would be significantly altered by this provision. Most taxpayers seem to feel that there is some advantage in deferring taxation for as long as they can. Again I must say that we cannot accept the premise that there is any forcing of farmers or ranchers to switch from cash to accrual accounting. Indeed, the bill specifically provides that they can continue on the cash basis.

This leads me to the hon. member's third point, the question of transitional provisions. We have provided for transitional rules to cover professional people who are obliged under the new bill to convert from a cash to an accrual basis, and it does seem appropriate that transitional rules be provided where a taxpayer is forced to change his accounting method. However, in the case of farmers or ranchers such a change is purely voluntary, so the provision of transitional rules would not seem appropriate.

The hon. member read from a letter Mr. Gracey wrote to me. I think the hon. member will appreciate that I have not had, nor am I likely to have, an opportunity to leave the chamber to obtain a copy of my reply to that letter. However, I will take the opportunity in the debate next week to put on the record my reply to that letter. The hon. member was remarkably clairvoyant in divining the nature of my reply in his subsequent remarks.

The hon. member for Vegreville raised the question of the revenue derived from the application of the capital gains tax on farmers. The revenue estimates declared by the department do not break down as between particular professions, undertakings or occupations, but it is estimated that the capital gains revenue in the first year of the new system will amount to about \$80 million. Against that is a revenue loss of about \$65 million resulting from the federal estate and gift tax abandonment. The net amount of tax therefore expected to be gained from that combination of measures is \$15 million. I do not think the farmers' share of that increase is likely to be the make or break item in the decision made by a particular farmer. It would work out to about 70 cents for each Canadian and I think as such it will not be a determining factor in any decision that a farmer, rancher or anybody else may make in regard to continuing in his chosen profession.

The item of recapture was also raised by the hon. member for Vegreville. In view of the time and desire of