This was backed up by letters sent to every Member of Parliament. I am advised that at least 50 Members of Parliament have replied favourably. This was also backed up by 2,000 petitions and by another 400 which I will bring in. I urge Members of Parliament, even if they intend to pass this Bill in the clause-by-clause reading during Committee of the Whole, to vote against Clause 76 because it works a very specific injustice on the immigrants in our country.

Mr. Bill McKnight (Kindersley-Lloydminster): Mr. Speaker, I join with my colleagues on this side to take part in the debate to draw to the attention of Members on the Government side, particularly Members of the Cabinet, the inequities in Bill C-139. It is probably the most complex that Bill presented to the House since 1971. This Bill runs to some 297 pages in length and it took the Government 389 days, or over a year, to bring it forward. Now we are limited to ten minutes of debate on a Bill which affects every Canadian taxpayer.

The Bill contains changes to the November, 1981 budget, the December 18, 1981 budget, the June 28, 1982 budget, and the October 27 budget of the present Minister of Finance (Mr. Lalonde). I would like to take a look at some of the changes and bring to the attention of the House, in the brief time I am allowed, the condition regarding imputing rent or imputing income. We understand that there will be legislation to impute income from low-interest loans to foreign subsidiaries. I recall to the House the statement of the former minister of finance on March 19, 1982, wherein he said:

> I have attempted to allay the concern by stating categorically that the Government never had any intention, does not presently entertain any intention, nor will it entertain any intention in the future to tax imputed rent. That is the end of the matter as far as I am concerned.

We would have hoped that that was the end of the matter, but once again I draw to the attention of the House the situation faced by a constituent of mine. I brought this matter to the attention of the Minister of Finance on November 23, 1982. My constituent was imputed income; he was an incorporated farmer who was assessed $9,000 imputed income from the rental of a $75,000 home. That should put it into context and alert the people of Canada to the fact that the Government is intent upon imputing income to justify its expenditures, which now run to over $26 billion more than its income.

In my part of Canada, as in other parts of Canada, Canadians are uncertain. I regognize the uncertainty of the people of Canada regarding the Income Tax Act, but it is not the fault of the Opposition that the Government has taken over a year to bring forward legislation to put into law the Bill we are now discussing.

I wrote to the Minister of Finance on October 1, 1982 concerning the present income tax regulations relating to capital gains on the transfer of farm land. The present law provides that deferrals of tax are provided on transfers of farm property by a farmer to his or her child or grandchild. I have a situation in my riding where such a transfer was made by a mother to her son, who happened to be single. The son died in a tragic accident and left the land again to his mother. Now Revenue Canada is saying that tax is payable on the capital gain assessed on the transfer back one generation. I wrote to the Minister on October 1 requesting information and a report on my constituent. I finally received a reply on January 6, 1983, in which the Minister wrote:

> While I sympathize with the circumstances of your constituent, the income tax laws must be general in their application and exceptions cannot be made in individual cases.

I was not asking for exceptions in individual cases. I was asking that the Government look at the transfer back from generation to generation when tragic circumstances deprived a family of the value of its farm, so that it is not fixed in stone. I wanted the Government to recognize that there are tragedies which happen in families so that the transfer could be returned. Most farm families in this day and age work to transfer their land from generation to generation. There are times when it must be transferred to leave the farming operation intact, so that it is not broken up or sold because of a demand put on them by Revenue Canada.

Also I should like to draw to the attention of the House the change in the income averaging annuity contracts, designed to protect capital gains over a period of years. It was just a deferral of tax, it was not a tax benefit. The tax would be paid, but when it was less harmful to the savings of individuals. Most people in my part of Canada, as well as in other parts of Canada, involved in farming and small business have as their only nest egg their farm or small business to set aside for retirement years. Also most people dispose of that asset, their small business or farm, when they are ready to retire. They use the proceeds to continue enjoying whatever years are left to them. If they do not have these proceeds, they are forced to fall back upon the Government. If the Government would allow individuals to provide for their own retirement without taxing before the retirement comes into effect, it would be less of a burden upon the Government of Canada and other taxpayers.

Before the November, 1981 budget, the farmer could claim a reserve on the taxable capital gain portion of the proceeds of his land which he had not received at the time of sale. He could bring that portion of capital gains into income when the proceeds were given to him or when he receives the proceeds.

• (1210)

Let us use the example of an unmortgaged farm with a 1972 Valuation Day value of $80,000 which the farmer sells for $260,000. That is a lifetime of work by a man, a woman and usually the children. He has a capital gain of $180,000, half of which, $90,000, is taxed at 50 per cent, leaving $45,000. That does not even consider recapture of capital cost allowance which could make the situation worse. Let us say this person receives $60,000 down on his farm and takes back a mortgage for 20 years, paid back in equal annual instalments of $10,000 plus interest. These payments represent the retirement income of that farmer and his wife. In the year of sale he could claim a reserve of $69,231 against the taxable capital gain of $90,000, and only $20,000 would be brought into income. The next year he receives $10,000 on his mortgage. He claims a reserve of $65,769 and must bring $3,462 of the $10,000 received into income.