

Income Tax Act

President of the United States, and Connally have both said they are out to reverse the American import-export trading trend by a total of \$13 billion. Agricultural products are one of the United States' greatest exports. They want to get into the European market with their agricultural products. We in Canada want part of the North American market and part of the international market.

Again I put the question to the tax experts who are assisting the minister and the parliamentary secretary: how does capital gains tax apply to the livestock industry in the United States? I have the facts here on how it applies. The second question I pose is: are they prepared to give the livestock man in Canada the same break as the U.S. livestock man gets in the application of a capital gains tax?

The Deputy Chairman: Order. The Chair wishes the hon. member to be fair. He knows that only the minister and the parliamentary secretary may answer his questions in the House of Commons. He should not direct his questions to anybody else, only to persons who are qualified to be members of the House.

Mr. Horner: Mr. Chairman, I thought I was being vividly clear, but in my anger I suppose I wasn't. I was directing my questions through you to the Minister of Finance who is in his place and has his officials before him. The hon. member for Calgary South should know what the livestock industry means to this country. I will take my seat the minute either one of them is prepared to indicate that he will answer the two questions I have posed.

Last night the hon. member for Calgary South said, "Tomorrow at eleven o'clock I will have the facts. We will burn a little bit of midnight oil and we will get the facts." But apparently he is not prepared to put them on the record. They have not said that they will answer my questions. I will repeat them until I get some answers. I am sure they would not want this legislation to pass in ignorance. Surely as legislators we must be knowledgeable about it. If we do not get the answers we must persist until we do, or we must put the answers on the record ourselves and, as I indicated, I am prepared to do that. Considering the generous mood of the parliamentary secretary last night, I want to give him and the minister the opportunity to say they know the livestock industry in Canada has to be competitive with the United States and that if the livestock man in the United States is getting a better deal in the application of the capital gains tax to him they are prepared to consider that.

I could move an amendment to section 29 very easily, but sometimes I find that governments are reluctant to accept amendments from opposition members. Instead I make the request that section 29 be stood until the government has had ample opportunity to study the point that has been made so well by the hon. member for Dauphin and myself, that we share in the North American market and are in fierce competition with the United States.

If the price of beef cattle goes up in Canada, then in come American cattle. If the price goes up in the United States, our cattle move freely into that market. That market has been a safety valve for the Canadian cattleman for years and years. We must remain competitive if we are to stay alive in the livestock business.

Surely one of the key cost factors in any business is taxation. It is only fair that the minister accept the suggestion that section 29 be stood and that the whole matter with regard to the basic herd be reconsidered. Is he prepared to do that? He sits glum and silent, as if somebody had thrown a pail of cold water down his neck.

Mr. Benson: You have got the floor.

Mr. Horner: I am disappointed at the hon. member for Calgary South because sometimes Calgary boasts of being the cow town of Canada and sometimes tries to win the favour of the livestock men. The hon. member for Calgary South should win a little favour right now by honouring the pledge he made to me last night that he would burn the midnight oil and today put on the record how the United States capital gains tax is applied. It would seem that somebody got to him in the intervening hours and told him to sit there and not say a word, to let us blow off steam. He should rise and put the record straight in regard to how the United States capital gains tax is applied to livestock.

• (11:30 a.m.)

I want to explain vividly how the basic herd operates in Canada. The basic herd principle has operated as a growth factor. A farmer in the livestock business could purchase cattle, pay income tax on the money involved, put them into a basic herd and when he retired he did not have to pay income tax on the proceeds of the sale of the basic herd because he had paid income tax on the money going into the herd when it was being acquired. Section 29 says in effect that if you have a basic herd on December 31 you can keep it but we will not allow any more basic herds to be established nor will we allow the basic herds that are established to grow. In other words, they are cutting off the growth factor in the livestock aspect of agriculture.

How does the United States capital gains tax apply to livestock? If you have stock, bulls or females, for over two years you can treat them on a long-term capital gains basis—in essence, the same as our basic herd would be treated with the application of the capital gains tax. The parliamentary secretary nods his head in a negative manner.

Mr. Bigg: He doesn't know.

Mr. Mahoney: Only one year—12 months.

Mr. Horner: If it is only one year that improves the situation.

An hon. Member: Sure it does.

Some hon. Members: Hear, hear!

Mr. Mahoney: It does not improve the hon. member's accuracy.

Mr. Horner: It does not bear witness to my accuracy? I think the committee and you, Mr. Chairman, can bear witness to the fact that I begged and pleaded with the parliamentary secretary to put his accuracy on the record first but he did not believe it could stand up. He did not have the nerve to put his accuracy on the record first; he