

*Income Tax Act*

raised tonight at the time of adjournment are as follows: the hon. member for Winnipeg North Centre (Mr. Knowles)—Senate and House of Commons—Position of study of conflict of interest and possible legislation; the hon. member for Dartmouth-Halifax East (Mr. Forrester)—External Affairs—Canadian Soviet Communiqué—Effect of exchange of scientific and technological information on defence-sharing arrangements with United States; the hon. member for St. John's West (Mr. Carter)—Canadian National Railways—Lay-off of dockyard employees, St. John's, Newfoundland—government action.

**Mr. Pringle:** Mr. Chairman, I think we can agree on one thing in this House, that taxes of any kind are not too popular and whenever we are confronted with changes we are apprehensive about what they might do to our own position. I have heard members on both sides of the House state the plight of the agricultural industry with regard to the high investment required and the low return. Over a period of time, a farm requires a very considerable capital investment and over the same period, income should increase.

Today, members of the opposition have said that agriculture must be considered as a special status industry and I believe this suggestion has some validity. But in the next breath almost, the same members have said that if farm equipment is to be considered as capital then the basic herd must also be considered as such; in other words, agriculture must be considered in the same light as all other industries. There is variation of opinion here and we should all give very serious thought to this subject. Since the time the original income tax law was proposed and passed in the House of Commons, changes have taken place almost annually. However, it is a fact that regulations brought down by the Minister of Finance in the various budgets can very quickly rectify some differences which appear.

I have a couple of statements to make on the subject of farm land. It is my understanding that a farmer has two alternatives. He may claim a complete exemption from capital gains tax for his farm home and an acre of surrounding land. Alternatively, if it is more beneficial to do so, a farmer may elect to deduct \$1,000 from his taxable capital gain for his entire farm operation for each year during which the farm home was his principal residence. Appraisal of the land constitutes a problem. Is farm land being valued taking into consideration the purpose for which it is being used or is it being valued with regard to the market price of surrounding land, such as housing developments or industrial developments? A farmer who is maintaining a dairy herd or who is growing cash crops for the good of the people living in urban centres should not be confronted with the problem of appraising his land at a price much higher than similar land in other areas being used strictly for farming. This whole question should be given full consideration.

As far as farm equipment is concerned—

**Mr. Woolliams:** I wonder if the hon. member would permit a question.

**Mr. Pringle:** Oh, no, I am not going—oh pardon me, I thought it was the hon. member for Crowfoot.

[The Deputy Chairman.]

**Mr. McBride:** Things are getting pretty bad when you are mistaken for him.

**Mr. Woolliams:** I appreciate the compliment. I would ask the hon. member to think about this question: Where you have a ranching, grain or dairy operation—basically I am getting into a field apart from what we are debating now but it is important because you cannot separate capital gains from a farmer's other income for tax purposes—you are going to have capital gains based on the value of the land whenever it is sold. How would the formula apply if the ranch or farm were incorporated?

**Mr. Pringle:** I do not differentiate, and for this reason. If a farmer is using his land for a farming operation and he suddenly dies and his family is confronted with a capital gains tax, the land must then be valued. It is my opinion that the land should be valued on the basis of the purpose for which the farm was being used when he died. In his lifetime he could have disposed of the land for industrial or housing development, so the family is confronted with a very difficult situation. In British Columbia we have examples which prove this point. I do not suggest that this situation does not arise in connection with other industries. We do not have death duties now but formerly when a man died and his property was disposed of his family was confronted with the estates tax. I think we should consider these problems connected with the valuation of farm land.

• (5:00 p.m.)

There is little likelihood that any capital gain will be paid with respect to farm equipment, since farm equipment rarely increases in value, notwithstanding our inflationary spiral. Often farm equipment must be used in rugged areas and the depreciation, in my opinion, is even higher than the allowable amount. I doubt very much that there will be any problem in this area. Of course, so far as principal residence is concerned, it must be conceded that the increase in value must be over \$1,000 a year before it can be subject to the capital gains tax.

If I may speak about the basic herd, I think the Parliamentary Secretary to Minister of Finance is giving consideration to something that has been suggested in a number of representations, namely, that the basic herd is really a capital asset and, as such, that it should be depreciated as a capital asset. The system of taxation applying to an animal that is used for reproduction should be the same as that applying to a machine used to produce products. I hope this question will be given some consideration. I support the principle of time payments with respect to taxes of the kind I have mentioned. I firmly believe that they will be allowed and I will be very surprised if that is not the case.

May I talk about depreciable assets, Mr. Chairman? The system of depreciating assets has been compared with the system involving diminishing balances. I am having a great deal of difficulty in reassuring those who say that the matter of depreciation should be continued on a straight-line basis. It seems to me that, in the long run, the system involving diminishing balances is really not that much different, although I concede that there are many arguments in this area that we must consider. Farmers now will be permitted to continue to compute their