

*Income Tax Act*

I think that it is an example of co-operation between the federal and provincial governments. Moreover, I cannot see at all why it is suggested that there has been no co-operation between the provinces.

Indeed, the Minister of Finance has declared in his speech that he has approached several times his provincial counterparts in order to discuss Bill C-259.

**Mr. Lambert (Edmonton West):** Would the hon. member allow a question?

**Mr. Leblanc (Laurier):** Yes, Mr. Speaker.

**Mr. Lambert (Edmonton West):** Would the hon. member assure me that Quebec Finance Department officials can exert enough influence on that province's government to persuade them to amend their corporate income tax legislation so that some common basis may be found to the provincial and federal legislations?

**Mr. Leblanc (Laurier):** Mr. Speaker, if the provincial authorities would delegate their representatives to Ottawa to consider the effects of Bill C-259, I am convinced that they will be provided with some authority and will later on submit reports on the studies they have made. These reports would pave the way for the amendment of Quebec's tax legislation in the same manner as the report of the committee on finance, trade and economic affairs has helped to prepare Bill C-259.

I do not, of course, understand the arguments of political opponents who object to this bill when more than one million taxpayers will be struck off the tax rolls as from January 1, 1972 and another five million will pay reduced taxes. I fail to understand how they will be able to explain that to six million Canadians.

**Mr. Lambert (Edmonton West):** You are very far from the truth.

[English]

**Mr. Rod Thomson (Battleford-Kindersley):** Mr. Speaker, since I am one of those useless backbenchers the Prime Minister (Mr. Trudeau) mentioned during the question period, I do not know whether I should take part in the debate on this tax bill. However, I take comfort from knowing that I count for something. I come from a part of the country where everyone is considered to be important. I share that feeling. Therefore, the Prime Minister's statement did not bother me too much. Perhaps on the other side of the House my view of the importance of the backbencher is not shared by hon. members. If hon. members on that side think that the backbencher is not considered to be important, they should do something about it.

**Mr. Benjamin:** Especially since they know they will soon be on the opposition side of the House.

**Mr. Thomson:** Of course, the Prime Minister may have expressed his feeling about backbenchers on his own side of the House. He does not have to worry about them very much.

One of my reasons for wanting to speak on this bill, and I will only talk about two items, is that I represent, hopefully, the common people, the average men of my constituency. As I said earlier, the average man of Canada is important. I should like to convey to the parliamentary

secretary some of the fears of average men. Some of them are afraid of some parts of the bill. The Leader of the Opposition (Mr. Stanfield) and others in the House have already dealt fully with the over-all picture. Speaking as a farmer, I suggest that farmers are concerned, as is logical, about how tax changes with regard to basic herds will affect them. Of course, I am talking about basic herds of cattle. Being a farmer, I know something about the concept of the basic herd. I tried at one time to establish a basic herd, but I never did. It was so difficult that I gave it up. Nevertheless, the principles involved here are important, because most farmers establish their basic herds when they are young and their earning power is not high. They scrimp and save money from their small incomes to establish this basic asset. Later, when they wish to dispose of this herd, they are a bit richer. Hopefully, their income position has improved by that time. Therefore, when they sell these cattle, they must pay income tax at a much higher rate than they would have paid if the herd had been sold previously. Logically, I say, that is unfair.

That is how I feel, and I hope the parliamentary secretary will recognize this particular problem. I do not suggest that the solution is easy, and I do not suggest that the basic herd concept, as such, should necessarily be retained. However, I think we should recognize the principle that the basic herd is, in a sense, a depreciable asset, or that it can be established as a depreciable asset. We have failed to impress this on the government and, by allowing things to continue as at present, inequities will be created. I suggest, in logic, that the government should again look at this part of the bill.

Secondly, I want to talk briefly about the capital gains tax, and especially how that tax may apply to a farm when a father passes it on to his son. Of course, if a man makes a large capital gain, he should pay tax on it. In principle, I do not object to this. However, if the capital value of a farm or of a company remains constant over the years, and if the farm or the company stays the same size, it should not be valued on the basis of a different or larger size. That is what we are concerned about. If the value of a farm goes up as a result of inflation, but the size of the farm or real income do not increase, it is not logical that a man should have to pay a capital gains tax, particularly when a farm goes from father to son or follows any such line of succession. In addition to talking about farms, we should be talking about small businesses as well.

• (4:20 p.m.)

I advance this argument for another reason. A large company has a different way of raising capital. Let me give an example of this. If a man's business expands from one department store to five or six, he can sell shares in the market or obtain his capital in some other fashion. This course is not open at the present time to farmers and small businessmen. If there were some practical method of arriving at capital value when turning over a business or farm from father to son, there would be less concern.

I wish to deal with one other point. The experience of farmers in connection with how the act has been administered, particularly with regard to death duties, has not always been good. They sometimes feel put upon because of the values established by the departmental officials. I am not necessarily concerned about how the act is drawn,