

Supply

egg on which to retire today this triggers the capital gains tax and he is unable to buy and retire to that home.

As a solicitor in southern Alberta, I can list dozens of examples of farmers who have sold farms and simply have been unable to purchase the homes which others had always been able to purchase before and retire. They are virtually forced to remain on the land or to take advantage of one of the rollovers. I know the minister has said that he is happy with the roll-over provisions and believes that they are generous. They are also a trap which is beginning to get the farming community into a very serious situation.

We all know that the spousal rollover is a deferral and that is a good idea to which nobody objects. The tax would be levied when the spouse dies. We also know that if there is only one child and the farmer wants to roll over his farm to that one child who is farming, it will defer the capital gains tax for another generation, and it goes on ad infinitum. If there is more than one child the same feature applies.

The problem arises if the farmer wants to transfer his farm to one child. At the 1971 value he can obtain a roll over of that sum but, as I pointed out earlier, the 1971 value is not enough money to buy a retirement home. But if the farmer wants to sell for more than the 1971 value, he must pay the tax. So, there is not a rollover. If the farmer sells to his son at greater than the 1971 value, the tax has to be paid. Or if the farmer takes from his son a sum greater than the 1971 value but they choose for tax purposes to roll it into the son's name at the 1971 value, ultimately when the son has to sell he must pay the capital gains, and he has already had to pay the cash to the father. So that is a very serious trap.

Because the value of land has increased so substantially, with no inflation factor, farmers are now finding that they are virtually forced to pay the tax so as to get cash in order to retire. It is a serious matter and I would appreciate the minister's comments on how he thinks that problem can be handled.

The most serious problem to which the minister must address his attention is the one where the farmer really wants the farm to go to a farming child, but there are other non-farming children whom he wants to treat fairly when the estate is settled. Most farmers today have daughters and sons who have left the farm. It is almost impossible to leave an equal value to the children who have left the farm. None of the roll-over provisions work under that condition, because if the farmer leaves it to the one farming child, he must somehow create equity for the other children. Invariably, they do not have enough cash to do that. The farmer does not want to leave the farm to these children because he wants it to stay intact as an efficient farming unit. What does the minister propose to do about that problem? It may seem to be a small problem at the moment, but one must consider what it will become in 50 years.

There is a solution. It is based upon an important principle which I hope the minister will embrace, and upon which I will appreciate his comments. We know that only 13 per cent of Canada's land has agricultural potential. We know that only 4

per cent of the land is class one or class two land. On a world scale, Canada has only 3 per cent of the arable land. Therefore, I submit, as a matter of principle, that it is immoral for us to be putting a capital gains tax on bona fide agricultural land. The basis of that principle is that we want to keep the land efficient to produce food. We want to retain the way of life of the agricultural community, and the world needs the food.

I submit to the minister that it is genuinely immoral for Canadians to be taxing agricultural land, just as it is immoral for us to be out in the world economy borrowing money which should be given to Third World countries. It is immoral for Canada to be buying oil on the world market when we could have our own policies for self-sufficiency. I submit that on a global scale it is immoral for us to tax the 3 per cent of the world's land which makes us an exporting country. And there could be a heavy tax.

The minister might want to consider that if the land goes out of agricultural production, then it is an appropriate time for the government to step in. This would lead to developers developing on class four, class five and class six land. It would tend to keep cities on these classes of land. But as long as the land is bona fide agricultural land, there should be no capital gains tax between the generations.

In order to give the minister some time to respond I now ask, why has the departmental budget dropped under the minister, why has the consumer paid less for food under this minister at the cost of the farmers who have had to leave the land, why has the minister permitted capital gains in the first place, and why has he permitted the Minister of Finance to break the election promise of the Liberal party concerning the valuation day date?

Mr. Whelan: Mr. Chairman, the hon. member has made many statements and some of them warrant comment. He has asked specific questions and he has commented on the laws which allow for the transfer of farm land from one spouse to another and from parent to child without taxation. No other country in the world has a law of this kind. It cannot be found in the United States, Great Britain, France, or in any countries on which we have checked.

● (1640)

I remember that Mr. Butz, when he was secretary of agriculture in the United States, said this kind of thing could cause a revolution in other parts of our society. I explained to him that the young man or woman who helped build the farm did not then have to buy it by paying taxes. That is a tremendous thing, Mr. Chairman. I know many people with families who farm who are not in a position to do that sort of thing—transfer the farm to a child.

In my own family, for instance, there were six sons on one small farm so there was no opportunity for the land to be turned over to anybody. We each purchased land on our own by doing jobs such as working in factories, share cropping and renting land.