

*Income Tax Act*

struggling persons who want to become full-time farmers, so that some balance can be struck in their favour.

**Mr. Southam:** Mr. Chairman, I took part in the general debate on clause 1 of the government's tax reform bill, C-259, back on September 29. This evening we are now in committee of the whole studying sections 28 to 31 inclusive or, more particularly, those sections of the bill dealing with several aspects related to farming.

Like many other pieces of government legislation, this bill, as time goes by, is coming in for more and more criticism. As the hon. member for Annapolis Valley said earlier in the debate, it is confusion compounded. This confusion is not only related to the sections dealing with agriculture but it seems to be the problem in every area of the 4½-pound, 710-page document that we are examining. I say this because as time goes by members' desks are being piled high with briefs from every sector of our society, pointing out serious defects in the bill affecting their respective areas of concern.

These defects have been amplified and emphasized by the fact that the Minister of Finance has been forced to table over 125 amendments or subamendments to the bill since it was introduced. What he should be doing is taking the recent advice of several provincial premiers. He should shelve the bill and rewrite a proper tax reform bill in the future. In the meantime, the only practical reform clause in this bill, that increasing the income tax exemptions for low-income earners, could be implemented at once by a simple tax amendment that I am sure would be supported by all members of the House.

As several members of the official opposition have already pointed out in this debate, various farm organizations including the Canadian Federation of Agriculture, the National Farmers' Union, the prairie pools, farm co-operatives and various livestock associations, including the widely supported Canadian Cattlemen's Association, have all taken strong exception to many provisions in the bill.

It seems to me that many of the principles of the bill as related to agriculture were adopted from the agricultural task force report. In the view of many farmers and farm spokesmen it appears that many of the suggestions that were put forth in that report, if implemented, would hasten the day of the agricultural industry's demise. The experience we have had with the Lift program and with the proposals set out in Bill C-176, which is now resting quietly on the bottom of the government's agenda, and latterly with the furor created over Bill C-244, the grain stabilization act, along with the clauses in this bill would all indicate that this total load of unacceptable legislation could be the final straw to break the camel's back in so far as the agricultural industry is concerned.

Let us look at a few of the comments submitted by the Canadian Federation of Agriculture. Its members have had access to some good research and have taken the time to make a close study of those provisions of the bill relating to agriculture. Even at the risk of trespassing on the time of the House, and although there may be some repetition here simply because I have not been able to listen to all the contributions made thus far, I wish to put on record some of the submissions made by the Canadian

Federation of Agriculture. Under the heading "The family farm corporation," the federation says:

One general point we would like to make is that all provisions applicable to farmers as individuals should in principle be applicable to family-held farming corporations. We suggest there be some general provision in the law providing for this. This requires definition of what a family farm corporation is. We would suggest perhaps that 80 per cent of all shares require to be held by members of the family, and 80 per cent of the income to the corporation be from the farming operation. This can be important in many connections.

Under the heading "Transfer of a farm within a family, whether by sale or inheritance, without realization of capital gains," it says:

There is, as we understand it, absolutely no provision for farms to be transferred within a family (except to a spouse), whether by sale or inheritance, without immediate realization of capital gains. This would be true of the sale or transfer of a farm to a son, or inheritance by the son of the farmer. We have been informed that this problem can be avoided in many cases by good estate planning through incorporation of the farm, and this may well be so.

• (10:50 p.m.)

I point out to the parliamentary secretary that every farmer, particularly every small farmer, has not the financial wherewithal to go to tax experts and lawyers for the advice suggested here, but nevertheless it would sometimes result in the wrong decision being made relative to this bill. The brief continues:

Even in such a case the death of the son, holder of common shares in an incorporation, prior to that of the father, could result in realization of taxable capital gains while the father was still in active charge of the running of the farm, creating severe financial problems.

Beyond this, however, we do not believe that it should in all cases be necessary for the farmer to incorporate in order to achieve stability and continuity of the farm business within the family.

Payment of tax on capital gains out of the tied-up assets of an ongoing family farming operation could and probably would be disruptive, and place the continuation of the enterprise in jeopardy.

We would again very strongly urge that transfer of a farm to the son or daughter of a farmer, whether by sale, gift or inheritance, carry with it no realization of capital gains at that time, but that in later disposition the capital gains be calculated as of from the valuation initially established for capital gains purposes. The \$1,000 per annum exemption provision should apply for the whole of this period of course.

Finally, while the federal government has, as far as its own funding is concerned, given up use of estate and gift taxes, this does not settle the question of what may be done by the provinces in this area. Farmers, under your proposals, are still potentially faced with double taxation of the farm on inheritance—something which should at all costs be avoided.

Mr. Chairman, this point was belaboured and discussed at length earlier this evening by interested members. However, I think I should refer to a brief presented by the Canadian Cattlemen's Association on November 1, 1971, which also emphasizes the importance of this legislation. The brief reads as follows on page 6:

Moreover, it is not inconceivable that various provincial governments might enter the areas about to be vacated.

We believe it is incumbent upon the several provincial governments to clarify their intentions in this area and equally incumbent upon federal government to seek such clarification.

It is unfair that Canadian citizens be asked to contemplate capital gains taxes without being fully informed of the status of succession duties and gift taxes as contemplated by the various