

the capital gains tax on the proceeds, which deterred him from expanding his operation in another area. That is why I heartily endorse the amendments to the Income Tax Act in this bill which would allow farmers and small businessmen to defer the capital gains tax.

● (2202)

There is a definite need to change the capital gains tax legislation for corporate farms. In the motion I introduced last spring I also called for the government to defer capital gains tax on corporate farms where the farm was going to be transferred from the owner, whether father or mother, to the child. This idea is not new and many members on all sides of the House regard it as a necessary amendment. The thrust of such legislation would be to extend this roll-over provision to all family farms that are incorporated if it is desired to pass them on to sons or daughters.

The predecessor of the Minister of Finance (Mr. Chrétien), explaining why such farms were not made eligible for capital gains tax deferral, stated that incorporated farms are normally larger, better financed, and spread over members of a family in order to be used for estate planning. To my way of thinking, the argument that incorporated farms are normally larger is nonsense. The truth of the matter is that many farmers, whether they have large or small scale operations, were strongly influenced some years ago by the Department of Agriculture and encouraged to incorporate. The department's support was apparently based on tax benefits that could result, as well as the more coherent estate planning to be gained from incorporation. Many farmers incorporated because of that advice.

An article in the November 16, 1976, issue of *Farm and Country* states as follows:

Forming a farm company has brought more headaches than happiness to many farmers. Producers who heeded earlier advice to incorporate their operations have often found themselves boxed into disadvantageous situations. Now the experts are advising against incorporation.

While this advice forewarns farmers who are considering incorporation, it does little to help those farmers who heeded that advice some years ago and have already incorporated.

The advice given at that time was sound. I should like to put on the record why they stated that farmers at that time—and it applies today—would derive some benefit from incorporation. There are five good reasons for incorporating.

First, a company can be useful for purposes of estate planning or estate freezing, depending upon to whom the shares are issued.

Second, there is preservation of capital. A farm making a net income of \$20,000 would pay \$5,400 in taxes. If incorporated and no salary was taken, the taxes would be only \$4,800. On the other hand if the whole \$20,000 were paid out—\$10,000 to the farmer and \$10,000 to his wife—the taxes would only be \$3,800. There is obviously a benefit in taxes if a farm is incorporated.

### Income Tax

Third, if the corporation pays the wife a salary, both she and her husband are allowed to contribute to the Canada Pension Plan, and upon retirement would draw two pensions.

Fourth, because of limited liability, any act resulting in a judgment against the company would only go against the assets of the company and not against personal assets. That does not often happen, but it is a protection available upon incorporation.

● (2207)

The last reason is that the problems of a company operation after the death of one shareholder are very much smaller than those of an individually owned operation. These are the considerations that the agrologists have been using in giving advice to farm operations about incorporation.

It is my opinion that the roll-over provisions pertaining to capital gains tax which are set out in this bill should be extended to include incorporated family farms. It is not my intention that the wealthy professionals acting as gentlemen farmers should benefit from a roll-over. To my way of thinking the roll-over should be restricted to farm operations where 50 per cent plus of the shares are owned by a bona fide farmer.

I suggest that we put a limit on the assets of a farm which would qualify. Just off the top of my head I think \$1 million in assets would be a nice figure with which to start. We should at least get into the act in order to help small incorporated farms. Today \$1 million is not a lot of money when we consider how the price of land and machinery is increasing so rapidly.

In addition to extending the roll-over for farm corporations I think the minister should look very seriously at moving up the valuation date for capital gains tax. It is close to six years since the date of December 31, 1971, and at that time the value of farmland was very depressed. As we look at the agricultural situation today, with rising costs and the plummeting of prices, particularly grain prices, it is very difficult for farmers to make any profit to set aside as a retirement fund. The minister should look very seriously at moving up that date so that when a farmer decides to retire and sell his operation, he can use the larger amount of funds for his retirement.

Moving on to the last part of the bill, Part IV, this part asks us to extend some \$9 billion in loans to the government. This is an admission by the government that it has lost control of spending. A government which has the audacity to tell Canadians to stop living beyond their means, as the Prime Minister (Mr. Trudeau) told us recently in the Speech from the Throne, now asks parliament to approve what amounts to a \$9 billion deficit. Recently the Minister of Finance told us that we should stop saving money and that we should spend it on Canadian goods. This \$9 billion is larger than the total budget of the last Progressive Conservative government in this country. It is a telling indictment of a government that long ago ceased to manage that it can look upon drift in our economy as leadership. Canada has become the highest cost producer in the world. Our wages are higher than those of our leading competitor, the United States. Our taxes are amongst the highest in the world. Our transportation costs are relatively