

Adjournment Debate

I felt that the minister's response was altogether too brief. He simply said:

... it of course has to be relevant also to the question of equity to other taxpayers.

I suggest that the answers were entirely unsatisfactory in the light of the importance of capital gains taxes and the way they affect farmers, particular family farmers, and also small businessmen.

The reason for this particular question relates to activity going on in the riding I represent, Norfolk-Haldimand. There has been expropriation or threat of expropriation of a very large section of farmland. This is to serve as the industrial sites for hydro, Stelco and Texaco, and also for the satellite city which is to be built in that area. The province has just completed a land assembly program there. This, of course, resulted in the forced sale of many farms. I think there has never been such a concentration of farmers paying capital gains tax in such a small area as the one I just described.

The farmers whose properties have been sold in the manner I described are having income tax returns reassessed, and a whopping capital gains tax is being imposed upon them. Tax paid, of course, is on one half of the capital gain derived from the valuation day value subtracted from the value at the time of the sale. The government land appraisers have assigned abnormally and unrealistically low valuation day values of something in the neighbourhood of \$350 to \$400 per acre. The sale value has been in the neighbourhood of \$2,000 plus per acre. Therefore the capital gain is \$1,600, and the tax on half of that is a tax on \$800 per acre. On a 100 acre farm that is a capital gains tax assessed on an amount of \$80,000, which is certainly drastic and exorbitant.

A \$400 valuation day value is totally unrealistic. The government appraisers are not in touch with reality, and one wonders if any of them have ever operated a family farm.

The farmers are angry. They are pooling their resources to fight the assessment of capital gains in the manner described. They are going through the formal appeal procedures as laid down in the act. They are going through the courts, and if necessary, they will even go to the highest court in the land to see that justice is done.

The minister is aware of this situation because of previous letters from me to him on this matter, and I feel it is time to face up to this giant rip off which is being perpetrated against the farming community in Norfolk-Haldimand.

Let us examine the effects of this unconscionable action. As I said in my question, it destroys farmers' retirement funds. During his lifetime a farmer puts his profits back into improving his farm, his buildings, and his equipment. The value increases. Upon retirement he sells the farm. The proceeds become his pension fund; he has no other.

The bandits from National Revenue pounce upon this fund and wipe out this one opportunity to retire with dignity. The farmers have pride. In my opinion they are the last bastions of independence and free enterprise. The tradition of providing for their own retirement goes back for generations.

Mr. Paproski: Hear, hear!

Mr. Knowles (Norfolk-Haldimand): Surely it should be the responsibility of the government to foster and encourage this independence and the retention of self-esteem. Instead, the present system of taxation discourages and stifles initiative. The farmer is tempted to give up, to resign himself to allowing big brother to take his savings, and he reasons that he might as well take a handout from the welfare state, along with everybody else.

The second reason is that it removes the opportunity for the younger farmer who does not want to retire to purchase another farm. Such a farmer hopes to use the proceeds from his forced sale to purchase a new farm. Again the capital gains tax so erodes the net proceeds of his sale that sufficient funds do not remain to enable him to relocate. In this case he is also completely frustrated by this grossly unfair and iniquitous tax.

The case of the small family business enterprise is exactly parallel to what I have described. The profits of the small business are the only means by which it can amass capital for expansion, so the businessman ploughs the profits back into the business. Like the farmer he expects to sell the business at a profit, which is his retirement fund. He faces equally disastrous results at the hands of our present tax laws.

The solution that I suggest is simple. The family farm or small business could be sold once in a lifetime without attracting capital gains tax. It would need only a very simple amendment to the Income Tax Act, and the time is now opportune. Only today the President of the Privy Council (Mr. Sharp) on behalf of the Minister of Finance introduced certain changes to the act.

Could I just have one more minute, Mr. Speaker, to finish my remarks? It should be noted that in the publication "Preliminary Taxation Statistics" issued by the Department of National Revenue, for the 1974 taxation year at page 47 in Table K under the subheading "Occupation Class" it is shown that the revenue received from capital gains on farm property is only 10 per cent of the total of the capital gains tax. The loss would be minimal, Mr. Speaker. Surely the government could forgo such an iniquitous tax.

Mr. Jacques-L. Trudel (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the hon. member for Norfolk-Haldimand (Mr. Knowles) has reiterated the question he posed to the Minister of Finance (Mr. Macdonald) on June 17. He went on to describe a situation which is quite different, however. I think I would agree with him that if it were the disposition of the farm and the accumulation of the capital, that perhaps it should be looked at closely. What he is talking about, however, is something entirely different. He talked about expropriation, and I believe he mentioned Stelco and Texaco. I think it is a different problem altogether. He spoke of a rollover once in a lifetime of the value accumulated. I have some sympathy with his view and I agree it should be looked at in that particular light, but not necessarily in the way he posed the problem.

What he has said, and what should be said is that farmers, having worked for many years and accumulated a particular amount of property, should not be penalized when they dispose of it. That is the point at issue; not the