Income Tax

Now, if national production amounts to $114 billion in 1973, which means $5,000 per capita or $25,000 per family of five members, on average there are nine million Canadian producers who get revenues from their wages and investments. We call upon this government to consider major economic factors and establish a national economic balance between people, families and companies, between earnings, spendings and profits, between taxes, duties, exemptions and personal income, and to provide for a guaranteed personal income.

Mr. Speaker, although the Canadian economy is still one of the most prosperous in the world and while generally, the capitalist economy of free enterprise is still superior to the socialist and communist systems, I assert with supporting evidence that our Canadian capitalist economy of free enterprise has some basic deficiencies, namely inflation, the rise in the cost of living and interest rates generally; unemployment and the numerous strikes are only some apparent and localized symptoms at certain times and places.

The basic deficiency, the basic weakness of our economy, the sole and basic source of all the troubles which we are endeavouring to control, including currently rising interest rates, that sole cause of our many economic difficulties is the essential aspect of our Canadian capitalist economy of free enterprise which is so difficult to correct. It is merely the unbalance among the various foregoing constituent factors.

Mr. Speaker, we are going to support this bill but in a rather negative way because we feel that it does not contain the solution we are seeking. We would have preferred to see the tax exemption for married couples raised to $5,000 and $3,000 for single people. In spite of that we accept the government proposals. We will not oppose the passing of the bill but we would like to make it known to this House that we are not very satisfied because we would have liked in this month of April 1973, in the twentieth century, in view of our fantastic production which increases from year to year and the decrease in the number of individuals contributing to production—nearly 30 per cent of our labour force is unemployed—to increase our gross national output to at least $125 billion or perhaps $150 billion in the coming years. We cannot do it because our workers are out of work and because we have not found the means to make the investments needed to get our economic production system going to produce more. When the young are not working, they are not producing. We would have liked to see people work and produce more because in that way we could have reduced prices and would have done so through the help of competent citizens putting their energies at the service of their fellow countrymen and working for the good of the community. We could have increased our assets and by doing so we could have reduced our costs and if our costs were reduced with methods such as those we advocate we could give compensated discounts to reduce the cost of living, to prevent it from increasing steadily.

Mr. Speaker, we could reach a peaceful settlement of the major problems affecting us and to which we cannot find a solution.

[Mr. Latulippe.]

• (2010)

[*English*]

Mr. Bill Jarvis (Perth-Wilmot): Mr. Speaker, may I preface my remarks with a brief quotation as follows:

> The federal government is aware of the importance of the family farm. We realize the importance of keeping our family farms healthy and growing . . . Despite all our talk about corporate farming and about agriculture being big business—and it is—the family farm is still a basic unit in our agricultural community.

The author, Mr. Speaker, was the Minister of Agriculture (Mr. Whelan) and these remarks were contained in an open letter to farmers of Perth county, published in the Perth-Stratford *Beacon Herald* on February 10 this year, on the occasion of that county's annual agricultural week celebrations. The date of publication, February 10, is significant because it was nine days before the budget speech of the Minister of Finance (Mr. Turner) on February 19. What did this minister have to say about the family farm? I quote from page 14 of his speech as follows:

> I would now like to draw your attention to another matter which is of great importance, namely the preservation of the family farm. Under the present rules, when a farmer dies and leaves his farm to his children he is treated as if he has sold his farm at its fair market value. In the result, there may be a capital gains tax liability. For many of our farmers this poses a serious problem. First, the value of a farmer's land is often subject to fluctuations which have little bearing on the real value of that land as a farm. Second, most small farmers have little available cash and have already exhausted their credit. Therefore, a tax liability at a time when there has been no real sale may leave the family of the deceased farmer with no alternative but to sell out.
>
> To remedy this problem, I propose that, effective January 1, 1972, when a farmer dies and leaves his farm to his children there will be no deemed sale of his farm land.

In the "Budget Highlights" at page 5, however, that passage was reduced to the following brief sentence:

> Family farms permitted to pass from generation to generation free of capital gains tax.

This is what was picked up across the country and for several days or weeks there was joy in the rural areas, based on the general misunderstanding that capital gains tax had been eliminated for the transfer of a farm to a wife, son or daughter. At this point, the farmers of Canada were rejoicing because of four basic misunderstandings of this supposed tax relief as it applied to the family farm. Indeed, all Canadians felt that at long last this government had recognized and were prepared to cure the ills that the government's tax legislation had brought to them. These four items of misunderstanding were as follows: first, the farm could be sold or transferred to the children during the parents' lifetime without tax liability; second, capital gains tax had been eliminated with respect to such sale or transfer; third, the residence of the child or children at the time of the parent's death was of no consequence; fourth, the whole farm could be sold or transferred.

With respect to the first item of misunderstanding, it took a week or more before it was realized that the farmer had to die before any relief was possible. Regarding the second misunderstanding, it gradually became clear that capital gains tax was not eliminated at all; it was merely deferred. Therefore, if the farm had a value of $50,000 on valuation day, and a few years later had a value of $75,000 on the date of the father's death, or even a few years later