

been received under paragraph (a) or (b), respectively; and

(e) where the child is deemed to have acquired depreciable property of a prescribed class of the taxpayer for an amount determined under paragraph (d) and the capital cost to the taxpayer of the property exceeds the amount determined under that paragraph, for the purposes of sections 13 and 20 and any regulations made under paragraph 20(1)(a)

(i) the capital cost to the child of the property shall be deemed to be the amount that was the capital cost to the taxpayer thereof, and

(ii) the excess shall be deemed to have been allowed to the child in respect of the property under regulations made under paragraph 20(1)(a) in computing income for taxation years before the acquisition thereof.

(65) That for the 1972 and subsequent taxation years, the said Act shall be amended to include a provision to the following effect:

Where

(a) a taxpayer has, after 1971, transferred property (which property is referred to in this subsection as "transferred property") to a child of his in circumstances such that subsection 73(3) applied in respect of the transfer,

(b) the transfer was made at less than the fair market value of the transferred property immediately before the time of the transfer, and

(c) in a taxation year, the transferee disposed of the transferred property and did not, before the end of that year, attain the age of 18 years,

in computing the transferor's income for any taxation year the amount, if any, by which

(d) the aggregate of the transferee's taxable capital gains for the year from the disposition of the transferred property, exceeds

(e) the aggregate of the transferee's allowable capital losses for the year from the disposition of the transferred property, shall, during the lifetime of the transferor while the transferor is resident in Canada, be deemed to be a taxable capital gain of the transferor for the year from the disposition of property, and any gain or loss taken into account in computing the aggregate described in paragraph (d) or the aggregate described in paragraph (e) shall, for the purposes of

computing the income of the transferee for a taxation year, be deemed not to have been a gain or loss of the transferee." (English and French).—Sessional Paper No. 291-1/308C.

By unanimous consent, the said Ways and Means Motion was concurred in.

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Amendment deemed to be based on the foregoing Ways and Means motion.

That Bill C-170 be amended by adding, immediately after clause 20 thereof, the following clauses:

'20.1 (1) Section 73 of the said Act is amended by adding thereto the following subsections:

"*Inter vivos* transfer of farm property by farmer to his child

(3) For the purposes of this Part, where at any time after 1971 any land in Canada or depreciable property in Canada of a prescribed class of a taxpayer has been transferred by a taxpayer to a child of his who was resident in Canada immediately before the transfer, and the property was, immediately before the transfer, used by him, his spouse or any of his children in the business of farming, the following rules apply:

(a) where the property transferred was depreciable property of the taxpayer of a prescribed class, the taxpayer shall be deemed to have disposed of the property at the time of the transfer and to have received proceeds of disposition therefore equal to

(i) in any case to which neither subparagraph (ii) nor subparagraph (iii) applies, the proceeds of disposition otherwise determined,

(ii) if the proceeds of disposition otherwise determined exceeded the greater of
(A) the fair market value of the property immediately before the time of the transfer, and

(B) that proportion of the undepreciated capital cost to him immediately before the time of the transfer of all of the depreciable property of the taxpayer of that class that the fair market value at that time of the property so transferred was of the fair market value at that time of all of the depreciable property of the taxpayer of that class, the greater of the amounts referred to in clauses (A) and (B), or

(iii) if the proceeds of disposition otherwise determined were less than the lesser of the amounts referred to in clauses (ii) (A) and (B), the lesser of those amounts;