

Income Tax Act

and over again, but he has turned a deaf ear and does not seem to be interested. He is determined to proceed along the path he has chosen.

The second way in which the government has shown it is not interested in the welfare of farmers is by the introduction of the capital gains tax which will make it very difficult, if not impossible, for a farm, as a viable economic unit, to be passed from one generation to another. Anyone who has examined this legislation knows very well that payment of the capital gains tax which will be levied against the farm when possession changes will require the disposal of at least part of the assets of the farm to pay the tax. This will, of course, further decrease the size of the farming operation, and make it less economic and less likely to survive in today's increasingly competitive farm conditions.

For these reasons I feel that the government should eliminate the proposed capital gains tax as it applies to farms. I think it is important for the government to remember that farmers are in a special category. They cannot pass on any increase in costs, because the prices of their produce are not set by the farmers themselves, but by international, national or provincial forces which are completely beyond the control of the farmers themselves. Thus their prices are completely out of their hands. Their costs are going up steadily, and this is the reason they are caught today in a serious economic squeeze. For this reason, the application of the capital gains tax will make it increasingly difficult, and in many cases impossible, for farms as we know them today to continue as viable operations.

Therefore I say to the government they must realize that farmers are in a special category, and they must start treating farmers in a manner which will make it possible for them to continue to farm economically; which will make it attractive for farmers' sons and daughters to stay on the farms instead of leaving for the cities and factories as they are doing at present. If the government does not do this, in a short period of time this country will find itself in a deplorable situation. We will be short of food because, in a little while, we will be unable to resuscitate farms that have been allowed to run down in the production of the food we need.

So I strongly urge the government, the Minister of Finance and the Minister of Agriculture, to start looking at farming and farmers in the way they have long deserved, and to bring in the kind of legislative measures which help, and do not hinder, the farming operations of today.

Mr. Horner: Mr. Chairman, last evening I was dealing with the subject matter of section 29 concerning the basic herd concept and I said that the capital gains tax in essence has changed the approach of the tax legislation to the basic herd concept. I was appalled that tax reform legislation has been studied for a number of years and yet the government apparently has not considered any other approach to this question. In fact, it appeared to me that in the tax field extensive research and examination had been undertaken on everything but agriculture.

• (11:20 a.m.)

What is the purpose of studying a bill in committee of the whole? It is that the minister and his parliamentary

[Mr. Hees.]

secretary may have the experts with them. Any questions asked can be readily answered. The sources of information are there. Last evening I asked a couple of simple questions. I asked whether they had considered the method by which capital gains tax is applied to the livestock industry in the United States and the use of a similar application in Canada. I told the parliamentary secretary that if he did not know the effect of that application in the United States he should not turn it down but should consider it. Then he replied that they really did not know and his officials before him really did not know.

I warned him that the application of a capital gains tax to the livestock industry in the United States had been in force for a period of years, and I cautioned him that my question was only a lead-in. Really, Mr. Chairman, I was appalled that in preparing a tax bill 707 pages long, which was at least three years in the making, they had not even considered how a capital gains tax is applied to the livestock industry in the United States.

Mr. Mahoney: On a point of order, Mr. Chairman, the hon. member's attributions of comments to me are a grotesque misrepresentation of the question and answer period that we had last night. I hate to ruin your script, Jack.

Mr. Horner: Mr. Chairman, the record will bear out what I said. The parliamentary secretary said he did not know, and he was kind enough to say, "I won't say no; I will consider it." He said he would give the facts today. He said we would be back here at eleven o'clock today and he had reason to believe that this subject matter would be up for debate. He said he would then tell the House how the capital gains tax is applied to the livestock industry in the United States.

I point out, Mr. Chairman, that I was not the first member on my feet today. Before I started to participate in the debate the Chair had asked whether this section would carry. Why is this matter so important? The hon. member for Dauphin put the answer on the record last night. We participate in the North American market, and that applies particularly to the livestock industry. We may be divorcing ourselves from the Americans on questions concerning armaments and the like, but I repeat that our livestock industry shares in the North American market.

Our farmers and ranchers must remain competitive. In ranching and farming the first thing that has to be paid is the taxes. No matter what business you are in this is the case, and it is particularly true in ranching and farming. You have to pay the taxes. First you pay the land taxes, then you pay the income tax, and now you will be paying the capital gains tax.

Last night the hon. member for Dauphin also dealt with the disappearance of the basic herd. Until now the basic herd has been allowed to grow but after December 31, 1971, according to the provisions of this bill, the basic herd ceases to grow. If a man has already built up a basic herd then, out of the goodness of heart of the Minister of Finance, he can maintain it, although he will have to pay capital gains tax on the increased value. But no new basic herds will be allowed to develop.

In the United States the basic herd is still allowed to grow. The Americans have a growing policy. Nixon, the