

Income Tax Act

Briefly, Mr. Speaker, regarding grants, to my mind, the person best able to decide what to do with the wealth that he generates is that individual himself. I have heard government programs described as being like a blood transfusion in which a quart of blood is taken from the left arm and put into the right arm and half of it is spilled on the way over. We all know full well that when blood is spilled, it coagulates. That is an irreversible reaction and it cannot be brought back to the same form again. That is an interesting analogy, and I think that that happens in a lot of places.

We should believe in the individual's right to decide what he should do with his earnings. I believe that a person whose life or money is at risk is probably in a better position to decide what to do about it than a bureaucrat, particularly in a country like Canada, which is so large and diverse geographically.

I would certainly be in favour of tax incentives, but I really do not think that extending the carryforward period of a loss from five years to ten years can be construed as very much of a tax incentive. We should give people genuine tax incentives like a tax holiday for the startup period of a business. There are all kinds of material available in the literature which I am sure the Parliamentary Secretary has seen to show how tax holidays or partial tax relief in the initial startup period of a business would work just as well. We would then have people working with their own money rather than lying awake nights trying to think up ways to spend the Government's money. Instead, they are worrying about how to make use of a tax incentive based upon the money that they have put up front in order to develop a business and therefore jobs.

Mr. Fisher: Mr. Speaker, perhaps we could move this discussion one step further because the Hon. Member has made an interesting observation. When we set up tax incentives, we set up incentives for people who are not necessarily in the target group. For example, small businesses can operate for a period of time and accumulate \$1 million of surplus within the company. Then once they accumulate over \$1 million, they are classified as big business and are taxed at a higher rate. Quite a bit of activity goes on as companies accumulate this surplus in an attempt to avoid that cutoff point. That then provokes the tax department to make all sorts of anti-avoidance rules and that creates the very complexity the Hon. Member has described and about which he has quite rightly complained. In fact, these different types of incomes combined with the anti-avoidance rules tend to create the biggest complexities in the Income Tax Act.

Perhaps the Hon. Member could tell us how he would deal with the anti-avoidance problem while having regard to the Government's responsibility to be fair to all taxpayers. How would he deal with that in order to avoid some of the complexity that would result?

Mr. Mayer: Mr. Speaker, the Parliamentary Secretary has raised a very complex question, one which I certainly would not pretend to be qualified to answer on a specific or case by case basis. However, I can give him the general line of

thinking that I would subscribe to. The simpler and the more straightforward the tax system can be made, the better off we are. If there are to be exceptions, they should only be exceptions. If there are a great many exceptions, then pretty soon there are exceptions to exceptions and regulations on regulations and we run into all of these anti-avoidance situations.

We should keep the tax system as simple as possible so that if a business gets a three-year or five-year tax holiday, that is all. Once they are past that, there is nothing more. They know what the rules are and the rules are not changed very often. I do not know what I mean by that, but the rules certainly should not be changed every time there is a new budget. That is one of the problems that we have been faced with in the country and in all fairness I think the Parliamentary Secretary would agree with that even though he is a government Member. He hears that every day from the people who come to see him about what will be in the upcoming budget.

The only advice I could offer is, if at all possible make the tax system as simple and as straightforward as possible. I can give the Parliamentary Secretary specific examples of how people in the farming community do things for tax reasons and not for productive reasons. That must hurt the whole country because it means that we have, in economic terms, a disallocation of scarce resources. I will give the Parliamentary Secretary a prime example of this. There is over \$1 billion worth of deferred grain sales sitting in the Canadian Wheat Board in Winnipeg right now. Farmers do not want to accept that money until after the new year because they are in such a taxable position that it is to their advantage to leave that money there. At the same time there are a lot of people in the farming community who have extreme difficulty paying their bills at the end of the year. This is an example of a situation where some of these anti-avoidance rules are causing more problems in the farming community than the situation which the anti-avoidance rules sought to correct.

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, I am pleased to rise and speak for a few moments about this Bill. I see that my good friend the Minister of Agriculture (Mr. Whelan) is looking at me. I am glad he is here because I want to begin by raising one local complaint.

Mr. Whelan: I was trying to figure out who you were.

Mr. Nystrom: I know that the Minister of Agriculture knows my riding very well and he knows who I am. We have appeared on platforms together. For instance, at the opening of the Yorkton Stampede last July, we welcomed him to our fair city.

A number of farmers are now complaining about the Minister of Agriculture sitting across the way because they believe he has broken a campaign promise with regard to taxation. I hope the good old Minister of Agriculture is listening. In the election campaign of 1980, the Government promised to change the valuation date for capital gains for farmers. As everyone knows, valuation day is December 31, 1971, and since then farm land has appreciated.