

Income Tax Act and Estate Tax Act

application of the principle requires exceptions and exemptions so that these socially desirable objectives of family-owned and family-operated farms and small businesses are not inhibited or destroyed.

Many hon. members have welcomed the change proposed by the minister whereby a six-year period will be provided for payment of estate tax. I submit that this will not be really sufficient in a number of cases and that in certain isolated cases the requirement that the tax be paid within six years is likely to force the sale of the assets of a family-operated farm or business unit or will necessitate additional borrowings resulting in a burden of debt from which recovery cannot be made.

With the government's majority the minister will get his legislation passed, but I hope that the regulations he promulgates to implement it will permit the stipulation at his discretion of an additional number of years over and above the six specified in the bill during which family-owned and operated farms and small businesses can pay estate tax and thus not be placed in jeopardy by having to sell some of the assets or take on additional debt. I also hope that the regulations will permit every case to be judged on its own merits. This can be done because in reality 80 per cent or more of Canada's population will never even come close to having to pay an estate tax.

I am often amazed about the concern expressed at great length by those in the insurance, estate planning, trust company and banking fields. But when they protest and say that inheritance taxes or succession duties should be done away with, I am somewhat suspicious of their desire to help the small estate or the individual whose income throughout life has been low or very moderate, in view of the fact that those who have the most to gain from the abolition of estate or inheritance tax or succession duties are those who do not need their abolition.

Having listened to a number of hon. gentlemen in the official opposition raise so much fuss about estate tax, I would appreciate it if some of them would give the house an explanation of why, in 1958 or 1959 when they were in office, they made major changes in Canada's tax legislation that did away with a great amount of tax legislation pertaining to succession duties and substituted for it an estate tax. I would appreciate hearing from members of the Conservative party the reasoning behind this. I can see some good administrative reasons for it. It is easier to

keep track of and collect estate taxes than it is to do these things with succession duties. But if there are a lot of arguments in favour of doing away with inheritance duties I would still be grateful to hear an explanation for the actions of Conservative members when their party formed the government of this country.

I wish to add my view to that already expressed by many hon. members in support of estate tax regulations that should not endanger the operations of family-owned and operated farm and small business units.

• (3:40 p.m.)

It has been mentioned before but is worth repeating that for a not very large grain farm in the prairie provinces one can arrive at total assets of \$200,000. Two sections of very average land would be worth at least \$90,000. The machinery required to operate a farm of two sections of land with average crops and good management would be worth at least \$25,000. If one were to take a line of machinery containing each kind of machine perhaps two or three years old for that kind of operation, the value of that machinery would be at least \$25,000. The buildings on a grain farm of that size would be worth at least \$15,000. Most farms of that size at the moment would have anywhere from 30,000 to 40,000 bushels of grain in store on the farm. I think it would be fair if we were to estimate the value of that grain at at least \$45,000. A farm of that size is only large enough for one family to operate. It cannot be divided among more than one son because then there would be two units which could not survive. These figures total somewhere between \$180,000 and \$200,000.

Let us also assume that some amount of debt is owing on that farm. There may be an amount of debt on the land and there is bound to be on the machinery and buildings. For the sake of argument let us say the debt amounts to \$50,000 and the net taxable value is \$150,000. According to the minister's tables, if the farm were to be left first to the widow and upon her death to one son the taxes would amount to \$26,700. If I read the minister's tables correctly, this is less than what the tax would have been under the old estate tax provisions. But I submit that if the \$26,700 has to be paid off in six years—it really amounts to five rather than six but we will take six years as the period—this means that over \$4,000 per year must come out of the annual revenue of this two-section grain farm