

Income Tax Act

Another situation which we should consider is that of a farmer who attempts to reorganize his business and possibly wants to intensify his operation. If he is a grain farmer he might want to sell part of his farmland and put the capital back into equipment, buildings, plant, or something to expand the livestock enterprise. I suggest that when there is a partial sale of farmland and a reinvestment of the proceeds in the farm business, that money should not be subjected to capital gains taxation. As I understand the tax act—and the parliamentary secretary might correct me if I am wrong, as he does so ably—if one were to sell a proportion of one's land, the proceeds would be taxed at capital gains rates. I suggest there should be a provision in the legislation enabling the reinvestment of the capital in the farm business.

While it is true that farmers may compute their taxes on a cash or an accrual basis, whichever they select, I imagine most of them prefer the cash basis because it is by far the more realistic method for them to use in computing their tax. If an occasion arises when, for some unknown reason, a farmer must switch from the cash to the accrual basis, there should be a gradual phasing of this process in much the same manner as is offered to the professions, because if vast amounts of grain are held in storage an immediate switch from the cash to the accrual basis of computing income tax might very well spell disaster and the bankruptcy of the individual concerned. Since we extend this privilege to professionals, I suggest that it should also be granted to the farmers.

I see that my time is nearly up and I know that many other hon. members here will have other points to bring out, some of which I may not have touched upon because this is certainly a very complicated bill. When you have a document which is as thick as four or five Eaton's catalogues, it goes without saying that the farmers of this nation will never know on what basis they are taxed.

Mr. Peters: There are no pictures in this bill, either.

Mr. Downey: There are no pictures, and 99 per cent of the farmers in this country will never know on what basis they are taxed. They will have to rely on the honesty of the bureaucracy and on honourable servants, such as the parliamentary secretary sitting over there, to interpret it for them. This is going to be the basis on which farmers will be taxed from here on in, should this document be translated into law.

• (3.20 p.m.)

Mr. Gleave: Mr. Chairman, on October 25, the Canadian Federation of Agriculture mailed a letter to the Minister of Finance, with copies to all members of Parliament. In part it read:

This is a letter regarding your amendments to Bill C-259—or more accurately to what we regard as unfortunate omissions in those amendments.

We have received no reply from you responsive to our brief of August 30 suggesting certain modest amendments to the bill to better serve farmers' legitimate interests.

Unless we have missed the point in the complexities of the amendments introduced we cannot see where any of our proposals have been taken into account. We hope, however, that it has been the pressure of time which has prevented you from giving adequate attention to our requests, and that the necessary amendments will be forthcoming.

The essential proposals we made are:

For transfer of farms within the family by sale, gift or inheritance without realization of capital gains.

Retention of a basic herd system whereby basic livestock herds can be treated as capital, which they in fact truly are.

This is one of the sections we have before us now.

More fair and liberal appreciation of the \$1,000 per year farm capital gains exemption (as an option to the principal residence exemption) including its extension for family farm corporations.

Retention of present straight line depreciation practices as a farmer's option.

This again has reference to one of the sections with which we are dealing today.

Re-investment of capital gains on sale of farm property in the continuing farm operation (either land, or buildings and equipment) without immediate realization.

Adding of losses on farming operations not capable of being set off against taxable income, to capital value for capital gains purposes, up to the amount of taxes and interest on borrowing, as is being provided, for hobby farmers only, under the new law.

The letter went on to say that there were other submissions in the Federation's brief, but those listed were the most significant "and are those on which we look for your appropriate amendments to the bill now before Parliament." I was a little surprised to receive such a letter so roundly condemning the proposed changes in taxation for farmers. This bill was touted as tax reform legislation. If it is intended as reform it should make the process easier and more simple for the taxpayer.

Tax reform legislation should make it possible for the taxpayer to stay in business, to conduct his business in an efficient and workable manner, and to pay his taxes to the government of Canada. In the type of society in which we live, as individuals, we realize that if we make a taxable income we will have to pay taxes. Even those who do not have a taxable income, in terms of income tax, pay taxes in other ways. They pay sales tax and other indirect taxes. In the federal field, income tax is the most important tax and most people expect to pay it.

The important feature of any tax should be that it does not interfere with the carrying on of a business by an individual, or with the work of a wage earner or salaried professional person. It should make things easier and more simple for the farmer rather than more difficult.

My criticism of the proposals in the bill is that they will make things more difficult for the farmer-rancher, and here I speak particularly of the situation in western Canada. They will make it more difficult for him in the ordinary conduct of his business, and in his attempts to comply with the tax laws of the country. These proposals will place an extra burden on the smaller operator. At times he will probably pay more tax than he should because he will not be able to hire highly skilled professional accountants to tell him how to comply with the tax provisions to his own best advantage.

Section 28 clearly says:

For the purpose of computing the income of a taxpayer for a taxation year from a farming business, the income from the business for that year may, if the taxpayer so elects, be computed in accordance with a method (hereinafter in this section referred to as the "cash" method) whereby the income therefrom for that year shall be deemed to be an amount equal to—