

Capital Gains Tax

superstructure which allows them to hide their capital gains or anything else with regard to their economy.

There are other problems with this motion. The hon. member for Ottawa Centre mentioned some of these. What is bona fide farm land and what is a bona fide farmer? There are a number of definitions. I do not raise this to downgrade the presentation by the hon. member for Lethbridge-Foothills, but to suggest this is one reason we should refer the motion to a committee to see whether some alterations can be made.

One definition suggests that a farm with \$1,200 per year gross sales can be recognized as a farm. No one in my province of Saskatchewan who is attempting to farm has less than \$1,200 yearly gross sales.

There is the Income Tax Act definition. If a person earns more than one half of his net income from his farm, he is a bona fide farmer. The definition of bona fide farm land varies greatly from province to province. In some provinces, this may be five acres. The Saskatchewan government has a residency requirement whereby you must be a resident to own more than 160 acres. It is these kinds of definitions which must be looked at.

Before a person can get a quota book, the Canadian Wheat Board requires that he have the equipment to farm. That is very broad. What kind and how much equipment? A pick and shovel, as my colleague said. That is another problem which should be looked at.

I do not entirely agree with the hon. member for Lethbridge-Foothills that this is increasing the cost of farm land and affecting the turnover to the young farmer. However, I recognize his argument and, again, this should be looked at as part of the whole problem.

Even under our present system there is a considerable amount of speculation regarding farm land. Sometimes it is because of the proximity to a city and sometimes it is because people have money to invest. This speculation is often blamed for increased farm land prices. This speculation has increased over the last two years. Looking back makes one wish one had speculated and bought some of the land that was then selling for \$100 an acre. I paid \$1,200 for my first quarter. That was the time to speculate.

An hon. Member: You are a capitalist.

Mr. Hovdebo: That is the kind of speculation that has been going on for the past two years. What would be the effect of taking off capital gains entirely as far as speculation is concerned? How many more people would share in that? In the last few years people have jumped in because the land is there. We are not making anymore of it, and very little more is coming into production. What would be the effect of that speculation in allowing a young farmer to get started? If we could refer this motion to committee, there are probably some alternatives which should be looked at. The Saskatchewan government has allowed a basic \$100,000 exemption for a farmer if the land is turned over or sold. The thinking behind

this is to protect the farm home or to allow the turnover of land from an older farmer to a younger one.

● (1740)

The problem of farm size must also be looked at. The hon. member for Lethbridge-Foothills has said on several occasions that in his area of the country three sections of land is probably enough for a farmer to get by on. What we should look at is some extension of the \$100,000 exemption. Right now the only person who can afford to buy more land in many communities is the person already well established. Many communities are trying to do something about it. We might consider a certain size of farm as adequate in a particular community and it is sold or turned over that no capital gains tax will be charged. But anything above that restriction should be taxed as though it were regular income.

Indexing was mentioned by both previous speakers. Our party policy has always been to suggest that indexing can be used to alleviate some of the problems of increased cost and to alleviate some hardship for pensioners. Maybe we should take a look at the way the value of farm land is established. The 1971 dollar is now worth something like 40 cents. If we had established indexing in 1971 or in 1974, as was suggested, the price of land would not be that far out. The farmer would not be faced with paying capital gains on such huge amounts. Inflation has been a factor and should be recognized as such. If that factor has been recognized in the cost of living, it should also be recognized in capital gains.

If we can send this bill to committee, we should look at the valuation day levels. The valuation of a farm home should be examined. Indexing should be looked at and so should land values which were established in 1971. Legislation concerning turnovers should be examined, but I will not go into that.

I recommend this motion be passed. I suggest it be sent to committee to study the needs of the capital gains legislation regarding the turnover of land.

Mr. Gordon Taylor (Bow River): Mr. Speaker, we have heard two approaches today concerning this legislation. We heard the positive approach outlined by the hon. member for Lethbridge-Foothills (Mr. Thacker). He outlined ways and means of how this tax should be avoided and why. On behalf of the Liberal party, the hon. member for Ottawa Centre (Mr. Evans) stated why it could not be done demonstrating clearly what we in the House are up against most of the time. Surely in a democracy, we should be listening to the people and reflecting the thinking of the majority in our legislation and in our administration of it.

We have been given an outline of capital gains tax which was not written by those paying the tax, but written by bureaucrats. The speech read, and I emphasize the word "read", by the hon. member for Ottawa Centre was that of bureaucrats. If the hon. member wrote the speech himself, I would be most surprised. If he did write the speech, he should be in the civil service, not representing people in this House.