

*Income Tax*

On the other hand, I must seize this rare occasion to applaud the Minister of Finance upon the introduction of the provision allowing for deferral of capital gains taxes in cases where farmland is sold and the money is subsequently used to purchase similar land. I recognize that this principle applies also to transactions engaged in for the improvement of a business. We in the opposition have been promoting this change for many years. It will enable some farmers to stay in business, and assist others to make improvements which are vitally necessary to the continuance of their operations.

In the past, as hon. members know, farmers have been unable to make what would amount, virtually, to a simple exchange of land to their mutual benefit because of the effects of the capital gains tax upon the transaction. This new provision will assist producers who wish to expand their operations but who were previously reluctant to do so. In addition, perhaps, a few smaller operators will be encouraged to hang on and not to get out of business completely. Unfortunately, this may well be another case of too little too late.

Many of the smaller farmers and operators have already been driven out of business by inequitable tax laws, and I believe the trend to larger holdings will be very difficult to reverse. We on this side do not support the idea that bigger is always better. It will certainly take more than this partial concession by a government which seems bent on destroying family farm operations to bring an end to recent developments. In fact, even in this matter of reinvestment, the new tax provision does not go far enough.

A once-in-a-lifetime exemption from capital gains tax on the sale of farm property could go much further in encouraging producers to expand and improve. It is certainly not too much to ask, and it is far from a radical request. I might remind the minister that there are some in the farm community whose demands stretch further than this. What they are suggesting is the complete elimination of all capital gains tax on the sale of food lands. I should like the Minister of Finance to undertake a study of the financial ramifications of such a move. I am certain the results would indicate massive savings to the industry and a very minor loss to the treasury in terms of total revenue.

Capital gains taxation has resulted in sharp increases in land prices. In most cases, land prices do not really reflect the real value or revenue producing potential of the property concerned. On this subject of capital gains I want to point out that the application of this tax to farm land has resulted in an inflationary increase in the price of that land. Many landowners find, at some point, that they have to sell for one reason or another. Before doing so they usually check with the local office of the Department of National Revenue to determine just how much they would have to pay in the form of capital gains tax consequent upon the sale. Suppose the property were selling for \$100,000 and they found they would have to pay \$10,000 or \$12,000 in taxes on the sale of the land. Automatically they add that amount to the price they are asking, and the net result is an inflationary increase in the price of the land.

All of us have been very much aware of the effect of inflation upon the economy. But the government has certainly failed to recognize the effect inflation is having on the farm community. People in the primary sector of the agricultural industry are very heavy spenders. This is not because of any human failing but because of the demands of their operations. They have no choice. But no adjustments in the area of capital gains tax and the like are made to compensate the industry for the increasing inflationary trend. Small businessmen are adversely affected in the same way.

If capital gains taxes are to remain, I would suggest an upward adjustment of the base value of assets in accordance with an inflation factor to end the taxation of illusory capital gains. It is obvious that in an inflationary economy some or all of the capital gains are illusory in real terms because of the declining real value of money. In Canada unfortunately, I might add, it seems to be declining at a rate faster than most of us can keep up with. What I am suggesting, Mr. Speaker, is an end to this kind of taxation. This position, the minister might note, is winning increasing support among the business community and has already been endorsed by the Canadian Federation of Agriculture, the joint taxation committee of the Canadian Bar Association and the Canadian Institute of Chartered Accountants.

## ● (2202)

Another related issue to which I and other members have alluded previously is the plight of the farm spouse at tax time. It is almost impossible to believe that such a grossly unfair situation can be allowed to exist in Canada in 1977. Surely our society has progressed further than this. Where else can a person work seven days a week, often 12, 14 or 16 hours a day, yet receive no remuneration whatsoever? For example, the farm wife often makes a very important and crucial contribution to the success of the farming operation. More often than not, her knowledge, influence, and many and varied day-to-day functions are invaluable, yet under our present law a farmer is able to hire and to deduct as an allowable expense almost everybody except his wife. A farm operator can hire his neighbour, his neighbour's son or daughter, even his neighbour's wife, and treat such expenditure as an allowable expense.

The only way that a spouse or other family members who work on the family farm can be entitled to payment is if the farm incorporates. This is often a very long, expensive, and complex procedure, but if this is done they pay lower taxes on the first \$100,000 and pay their legitimate labour fees on the farm. But, Mr. Speaker, there is a catch; if they should choose to pass the farm on to the next generation, then they lose the tax deferral provision under existing tax laws.

This represents further evidence of the government's seeming prejudice against family farm operations. We have heard stories about the rage of the farm wife at income tax time, and I am sure we all share that rage. I call upon the government to terminate immediately the perpetuation of such gross indecen-