with the difficult set of problems which they are now facing. I think it will be acknowledged that special problems face farmers in the agricultural industry by the very nature of the industry and by its unique characteristics. I am referring to factors such as the high level of investment which is required in the industry in order to carry on production, taking account of today's technology and economic conditions. This is a factor which must be kept in mind. At the same time, this is coupled with a pattern of low rates of interest on capital investment and in fact low rates of labour return to farmers as a result of their efforts on their farms. This is a serious problem which must be of concern to all Canadians.

I think we also have to take note of the fact that the farmer makes a contribution to the build-up in the capital value of his farm in terms of the unpaid value of his labour contribution to the development of the capital assets on that farm. The farmer never sees any return for his unpaid labour except in the low rate of return he might receive on his investment. He really does not receive the real return to which he is entitled for the labour he contributes towards the development of the capital value of the farm until he disposes of that farm. That is one of the basic problems that faces the farming industry in this country which I think must be taken into account in developing tax law.

Of course, there are other problems that face agriculture, such as the very serious and wide fluctuations in land values with which farmers are faced, particularly the prairie farmers in recent years. These must be taken into account by the tax department. It must also be noted—and I am glad that this has been recognized in some respects in the bill now before us—that much of the farmer's assets also constitute his retirement fund, and as such deserve special consideration. I am glad that some consideration has been given in the bill to this matter.

There may be other matters which also deserve consideration. One of the problems that has been noted with respect to the application of the bill as it now stands involves a new institution, a new development in the farming industry, that is the development of family held corporations which do not involve any basic change in the pattern of the particular farming operation involved. Many families, for a variety of reasons, have decided to incorporate their operation. This has to be done, of course, by simply incorporating as a joint stock company. However, this institution is of a somewhat different nature from an ordinary shareholding corporation, so I think some problems do arise.

It has been noted in some of the representations made to the government that there are problems with respect to such things as the principal residences of the farmers or the farm families, as the case may be. This deserves special consideration as well.

I think it should also be acknowledged that some further development in provincial law is required. It would be very useful and worthwhile if the provinces gave consideration to developing a special piece of legislation which would provide for the incorporation of the family farm. These companies would operate somewhat differently from ordinary joint stock companies in that the law would take account of some of the unique characteristics of the family farm and the unique circumstances that exist with respect to some of the incorporations which have been made in recent years. We have to take note of the fact that incorporations by family held groups operate in the same way in terms of company law as the large shareholding corporations which are engaged in a variety of farming business today but where the shareholders are, for the most part, completely removed from the actual operations that are being carried on by the corporation.

Another matter of concern has to do with the capital gains tax and the way it will operate for farmers across Canada. The Canadian Federation of Agriculture, as the government is aware, has made representations on this matter. They are concerned about the question of transfers of farms within a family, whether this occurs by sale or by inheritance. They have expressed the hope that some provision might be made whereby this could be done without affecting a realization of capital gains. I note, as well, that the Canadian Cattlemen's Association has made a very reasonable proposal, which I think the government should be prepared to consider as a minimum step. Their proposal is that there would be provision, not for any waiving of tax or waiving of realization of capital gains when there is such a transfer of a farm within a family, but simply a provision whereby the payment of any tax that is incurred at the time of the realization of capital gains could be spread over an adequate period of time. This could be done in a variety of ways. One way could be to provide for a fixed time period for paying the amount due as a result of the realization of the capital gain. There is a provision in the tax law for time payments in some cases, but in the case of many farms with a low rate of return on capital investment there is good cause for the extension of the time period involved. This could be done without in any way changing any of the principles that may be desirable in developing our tax law.

One other mechanism that could be considered is the provision of some form of open-ended mortgage or lien on the property, which would involve the annual payment of interest by the farmer to the tax department, he having the option of closing out the amount due at any time. Of course, I agree that the interest rate payable in such a case would have to be high enough that there would be no inducement for the farmer simply to leave the amount outstanding to the tax department over a long-term basis, without it ever being liquidated. There may be other possibilities, making provision for annuity plans that could be dovetailed into this type of situation, such as has been done in other provisions of the bill dealing with other matters.

• (4:40 p.m.)

The Canadian Cattlemen's Association made this recommendation:

> While taxes are payable on the deemed realization on the intergeneration transfer, provision be provided that the tax may be payable over a period of time sufficient to not reduce the income generating capacity of the farm.

That is the principal concern that has been expressed with respect to this matter. I am sure the government is aware of cases where, as the result of valuation of property in dealing with estates, it has been necessary to liquidate farm units which were sound economic units. I hope

[Mr. Burton.]