

*Income Tax Act*

thing. This bill will increase taxes to the agriculture industry on three basic inputs in the cost of production, the cost of cattle, machinery and land but will do nothing to increase the price the farmer will receive for his product.

It seems to me that the parliamentary secretary is confused about the recaptured depreciation concept for farm machinery. I should be glad to discuss this with him and show him how it works. I should also be glad to discuss the concept of the basic herd and how it applies to the cattle industry. I suggest, too, that the capital gains tax should not be applied to farm lands used for bona fide agriculture. In relation to the total tax bill, these three items do not amount to much in dollar value and I would urge the minister and his parliamentary secretary to give them some serious consideration in the next four days. Perhaps a conference of interested people could be held and certain changes suggested.

**Mr. Mahoney:** You would attend such a meeting?

**Mr. Horner:** I would attend.

**The Deputy Chairman:** The hon. member for Assiniboia.

**Some hon. Members:** Hear, hear!

**Mr. Knight:** Mr. Chairman, it is a real pleasure to have an opportunity to express the views of Assiniboia in terms of this legislation which contains tax proposals that affect them. During the by-election, very grave concern was expressed to me as a candidate by many farmers on the question of capital gains in relation to farming. This capital gains tax has been reviewed and revamped in respect of its effect upon corporations ever since it was first suggested. May I take this opportunity to call upon the government to seriously consider changing the capital gains tax provision in regard to its effect upon the farmers of Canada. There are a number of ways it will restrict the ability of the farmer to make a reasonable income or to retire with dignity. May I suggest at least three areas where it does not take the farmers' situation into consideration.

There is the problem of the farmer who sells his property and buys another. I think an amendment should be accepted in this area. Then, there is the question of transfer of land within the family, when another member of the family is going to carry on farming. I think this transfer should be exempt from capital gains tax. No consideration is given to the immense amount of labour that is put into the family farm. The farmer works hard, but this is not considered when he retires and faces capital gains.

The Conservative party proposed an amendment to this particular section of the Income Tax Act which I suggest lacks application to the exact problem before us now. The amendment suggests a situation whereby western lands, or farm lands in general, are open to speculation and purchase by corporate interests. If the amendment were accepted as it stands, then the only area free of capital gains would be farm land. In such circumstances, it would be in the interests of the corporations to purchase land. Therefore, Mr. Chairman, I suggest that the government should give serious consideration to the amendment to that amendment as proposed by the hon. member for Regina East.

[Mr. Horner.]

I should like to review that amendment because of its importance to the farmers of western Canada. The amendment of the hon. member for Regina East reads:

That the amendment be amended by adding the following after the word "act":

"under the following circumstances:

1. when farm property is transferred by sale, gift or legacy to a spouse or a son or daughter or a spouse thereof when the minister is of the opinion that it is the intention of the recipient of the property to continue farming.

In that case, there should be exemption from the capital gains tax.

2. when a farmer sells farm land and uses the proceeds to purchase other farm land provided that the said farmer satisfies the minister that he intends to continue farming and that his usual principal source of income is from farming.

In that particular case, the proceeds of the sale should be exempt from capital gains tax.

3. any instance when a bona fide farmer on the sale of farm land is not allowed to invest the capital gain therefrom in a registered retirement savings plan which will result in the farmer concerned being taxed only on benefits received from the said plan as they are received; and"

I believe that should be accepted by the Minister of Finance as well.

Another aspect of this bill that concerns me is the way in which the government intends to evaluate land for capital gains. Reading through *Hansard*, one assumes that they are going to use the fair market value approach. But I do not believe, however, that this would be the best means of evaluation because fair market value, in a sense, is controlled by how much urban use is made of farm land and how much speculation is going on. The fair market value is affected by the fact that the farmer may buy an extra quarter section or half section of land at inflated prices in order to make his economic unit viable. In our society, the value of farm land is very often very volatile. I believe that the fair market value system, as used in connection with the capital gains tax, is an unreasonable system and an unreasonable method.

• (12:50 p.m.)

In conclusion, Mr. Chairman, may I say that I hope the government will consider the amendment proposed by the hon. member for Regina East. I believe the constituents of Assiniboia on November 8 told the government in no uncertain terms that they expect to see a change in the attitude of the government towards western agriculture.

**Mr. Korchinski:** Mr. Chairman, may I first congratulate the hon. member for Assiniboia upon the way he handled himself in what I believe was his first speech in this chamber. He spoke on behalf of his constituents and on behalf of farmers in western Canada. If I may be allowed to digress, I cannot help thinking of the time when I made my first speech and I can assure you that, as I listened to the hon. member, my thoughts went back to that time. I blush when I think of my first attempts at speaking. I congratulate the hon. member upon his endeavour and wish him well.

**Some hon. Members:** Hear, hear!