

Income Tax Act

its accounts. Is the government going to levy a tax not only on accounts that have been paid but also on accounts that will not be paid until the new year? The same situation would prevail if the government introduced a denticare plan, because there too the payment of accounts would lag behind. If the government is going to levy tax on outstanding accounts, then it is getting the use of money that it should not have.

The government would probably argue that if these accounts are not collected they could be written off the next year. However, the government has brought in a national medicare plan so we hope that no calamity of that sort will occur. Although I am talking about my own profession, the same is true of other fields as well. I feel that this approach of the government is wrong. When this question comes up for further discussion, I should like to see some of these problems rectified. The switch from a cash basis to a billed basis for computing income requires special provisions to cover the amounts that have been billed and not collected at the start of the system. Special rules will have to be made in taxing deferred income, and this matter will require the attention of the committee and surely some amendment.

To recapitulate, tax will not be levied on bad debts or even those legitimately considered to be doubtful of collection, though these will be difficult to assess. In addition, according to what I have read the minister does not believe that any real hardship will be caused to the professionals to whom I have referred. However, I have pointed out that this is not so. After all, it is the government that runs medicare, and if they happen to be two or three months behind in making payment this will cause a problem. It will be taxation on money not received. There should be some amendment made to the bill to take care of this time lag.

The same situation prevails with the man who holds bonds that mature on November 30. If he pays his income tax quarterly, he would have to compute his interest on those bonds at quarterly intervals even though he had not yet received that interest. The government is doing a bit of monkey shining that it would not allow anybody else to do, and quite frankly I do not think the government could collect this money in any court of the land. The same can be said of Canada savings bonds and other bonds.

I could go on to talk about the field of dental care, but let me dwell for a moment on the provisions of this bill as they affect farmers, though I intend to say more about this at a later stage. The basic herd and straight line depreciation are going to be phased out. Livestock farmers will be able to establish a basic herd as at December 31, 1971, which I guess they will call "D Day". Any gain thereon will be tax free, but no additions to the basic herd may be made after that date. When livestock is sold after that date, the sale may be considered to be out of the basic herd or the other herd, subject to special rules and regulations. I suggest that this provision will need looking into.

Assets acquired after December 31, 1971 must be depreciated in accordance with the diminishing balance system. I am not entirely clear what is meant by that. If proceeds from the sale of assets depreciated on the straight line basis exceed the cost, this excess is a capital gain.

[Mr. Rynard.]

The Chairman: Order, please. I regret to interrupt the hon. member but I do so to advise him that his time has expired.

Some hon. Members: Carry on.

The Chairman: Is it agreed that the hon. member for Simcoe North shall continue?

Some hon. Members: Agreed.

Mr. Rynard: May I thank the committee for its courtesy, and I will be very brief. The present \$5,000 limitation will continue so far as hobby farmers are concerned. In addition, any amounts of interest and property taxes not deducted because of this limitation may be applied to reduce any proceeds on the eventual sale of the farm. The treatment of the income gained from farming will be brought more into line with tax treatment of other businesses. Perhaps it would be embarrassing to you, Mr. Chairman, if I asked you how you felt about this. The result of reforms in this area will be that probably farmers will be taxed more heavily. The fact that no new additions can be made to the basic herd as established at December 31, 1971 and that sales must be deducted will obviously adversely affect the farmer; I cannot see how it will do otherwise.

The diminishing balance rate for assets acquired after December 31, 1971 will be at twice the straight line rate, the same as in other businesses. Some benefit does exist in so far as there is a faster write-off in the earlier years. However, the farmer is forced to calculate the undepreciated value of his assets each year. It is impossible to deduct more than the original cost of an asset. The measure is subtle and probably means that the farmer's taxable income will be greater.

• (4:50 p.m.)

A farmer may elect to claim either a complete exemption on his farm house and one surrounding acre—no capital gain will be calculated when he sells his farm or his house though farm machinery and barn will still be subject to capital gains—or to deduct \$1,000 per year against the value of all his farm property including his house. For many farmers this will not mean much but farmers who sell to developers will face a large tax bill. Today, Mr. Chairman, many farmers are faced with this very thing.

Mr. Gleave: Mr. Chairman, I have just a few words to put forward some ideas to this committee at this time. It seems to me that the government is not offering tax reform as much as a tax change. At the same time, according to the statement made in the House the other day, large amounts of money are being made available immediately in order to pull the economy out of a tailspin, so in essence two proposals are before the House. It would seem to me that it is rather important to this country that these proposals be co-ordinated. But this does not seem to be the case, Mr. Chairman.

Agriculture is facing difficult times as a result of the U.S. surcharge, and before that as a result of action in the European Common Market, and before that as a result of the pending decision of the United Kingdom to consider entering the Common Market. We have not developed