

Income Tax Act

try admit that he is guilty simply because a few officials in the department suggest he is wrong? The minister should carefully consider this question and come up with a formula, rather than involve individuals in unnecessary squabbles with the department, which I am sure the department does not want. I am sure the individual will find it absolutely unnecessary.

Mr. Benson: Mr. Chairman, I find it very unusual for the hon. member to say that the government should dictate a value, with regard to farmland, which nobody can appeal. I think the use of a fair market value, which is what a willing vendor will accept from a willing purchaser, is a much better way of establishing the value of land. If the vendor thinks that the valuation is wrong, he can appeal to the courts. I am very surprised that members opposite would like us to have some dictatorial policy whereby we can say that an individual's land is worth so much and he cannot appeal it.

Mr. Korchinski: Is it other than dictatorial, the way you want to do it?

Mr. Stanfield: The problem is that prices are so depressed under your policy.

Mr. Burton: Mr. Chairman, I think the hon. member for Saskatoon-Biggar has raised a very important question with regard to the valuation of farmland. I was amazed at the answer of the minister. In a very blasé fashion he indicated we will use the same method that has been used with regard to estate taxation in establishing market value.

Mr. Benson: Fair market value.

Mr. Burton: Fair market value. The minister has not had very much contact with western Canada if he accepts that simple proposition without any qualification. He does not know what is going on; he does not know the situation; he does not know what is happening; he does not know the real problems that families in western Canada face. The minister had better wake up and find out what is going on before he does this country any greater disservice than he has in recent months.

Mr. Mahoney: Compare your speech with the speech of the leader of your party.

Mr. Burton: I know the speech of the leader of the New Democratic Party very well. I hope the member for Calgary South looks at it very carefully. If he reads it enough times, he might then have some understanding of it.

There are some deficiencies in using a fair market value as stated by the minister. What happens with respect to what he calls the fair market value—in other words, the value of land prices in the immediate neighbourhood where the particular parcel of land under consideration is located? What are some of the considerations that come into play? First, you have what I call the urban pressures, pressures of buying up land for urban purposes. If there is a capital gain involved, an arm's length transaction, a case can be made for dealing with that on a fair and square basis.

However, when that affects the value of other land which is not involved in that transaction, it is an unreal

[Mr. Korchinski.]

situation. You are then forcing a farm family that is located near another parcel of land which was bought for a purpose which may not have anything to do with agriculture, to accept that valuation. In many cases, these people are forced to leave farming. They are forced out of agriculture. That has happened in the past. It will happen in the future unless the minister comes up with a different method than he has just given to the committee.

There is another fact that should be kept in mind. That is the fact of a farmer who buys a piece of land to add to his operation. He may purchase an incremental unit. He may want to add to his operation for a sound economic reason. He may be prepared to pay more for that additional land than he would be prepared to pay for his farm as a whole, an average price for his entire farm unit. That is simple economics. It makes sense. The farmer may find it worth while to pay more for a piece of land to add to his farm unit. It may make his over-all operation more economical. It may pay him to do that. That may be a perfectly sound decision on his part. On the basis of what the minister said, the higher land value for that parcel of land will affect the establishment of the fair market value for all farm units in the immediate neighbourhood. It is an unreal approach. It is not in accordance with the situation on the rural scene.

There are some alternatives to which we can turn in establishing valuation. We now have a good deal of technical and sophisticated information available on the basis of land assessment and farm management programs that are carried on in many provinces. Through these programs, and our working together with some of the provincial agencies, it will be possible to come up with a fair market evaluation for farm property on "V" day. Land prices are very often the most volatile components of the entire capital farm structure. During periods when the economy is buoyant, when prices are relatively good, there is an upward pressure on land prices. This pressure is accentuated by technological processes. Farmers are obliged to add to their farm units in order to make their operations economic, since in many cases they are bound to employ large machines for which they have to pay high prices. Then, when there is a turndown in the farm economy, such as we have experienced in recent years, land prices decline. A farmer is often locked in. He has a good deal of capital tied up in machinery upon which he is bound to make sizeable payments.

• (9:30 p.m.)

Then, again, he is possibly making payments on the land he holds and he often finds difficulty in meeting demands for such payments. The difficulties in recent years have been pretty serious. The current index of farm prices in Saskatchewan is about 90 per cent of the 1961 level, according to figures put out by Canada Statistics. During this phase of the economic cycle on the farm scene, land is undervalued, in some cases. This could be of serious consequence to farmers since they can assume valuation day will be either in a few months in the future or in the past, depending on what date is to be announced by the government. The government is ignoring these factors entirely in the approach it is taking. There needs to be a total review of this legislation if it is not to contribute further to the decline in Canada's farm economy.