

provided for by whoever takes over the farm with a monetary settlement. In those cases, depending on the method of the transfer, there are sometimes very real hardships created for the people who have chosen to stay on the farm.

● (1630)

There are questions about the total exemption policy which the Conservatives had been advocating on the hustings and from which they seem to be backing away. Do people who have bought land for speculation within the last ten years qualify equally with those people who have farmed for 30 years, 40 years or 50 years? Those johnny-come-latelies, the whiz kids of the investment community in rural Canada who, just in the last ten years, have been able to realize four times, five times, and sometimes as much as ten times their investment, do they get a full exemption for their rather shallow commitment to agriculture when compared to the people who have invested a whole lifetime? That question was never addressed in the full exemption policy. I believe it would be quite unfair to provide what would be a windfall profit to some whiz kid investor which is not provided for as a pension to someone who has committed his or her whole lifetime to agriculture.

I believe, therefore, it is clear that the full exemption policy which the Conservatives ran with in the election campaign has some very real shortcomings. We had recognized those shortcomings, Mr. Speaker, in the policy which our Party presented to the people of Canada. We had done our homework and suggested a couple of changes which we thought would have been more equitable and realistic. First, we suggested that one of the basic problems with the capital gains tax, and one of the largest inequities as it is applied across the country, stems from the fact that the valuation day was set at the end of 1971. The reason that is an inequitable time to start is that some regions of the country in 1971 were very depressed with respect to the farm scene. The prairie regions had extremely low land prices in 1971 as compared to land prices in other parts of the country where there were livestock and mixed crops. The capital gains tax, as a result, fell more heavily on prairie farmers than on farmers in other regions of Canada. We had proposed to change the valuation date from the end of 1971 to the end of 1976 because 1976 was a period of time when the various regions of the country had land prices more or less at equity.

We had also suggested that it was clearly necessary to recognize the fact that farm people do put their whole lifetime into their farms and that that is their only source of pension funds. We had suggested an exemption which would apply to all farmers of \$100,000 of capital gain. The first \$100,000 of capital gain which accrued between the sales price and the value at 1976 would have been exempt from capital gain. We had borrowed this suggestion, I have to admit, from one of the provinces which has already implemented such an exemption. Under the New Democratic Government of Saskatchewan, between 1971 and 1982 there was a \$100,000 exemption on the provincial share of income tax generated because of capital gain.

Capital Gains Tax

That brings me to my last point, Mr. Speaker, the question which apparently the Progressive Conservative Party totally ignored during the election campaign and which it is now coming up against as it finds itself attempting to implement its full exemption of capital gains tax. It is a very fundamental question in a federation like ours. Can those Progressive Conservative Governments at the provincial level stand to take a reduction in their tax take because of a full exemption on all capital gains on farm land? Will those provinces do like the New Democratic Government did in Saskatchewan and provide exemptions, and will they go along with the full federal exemption? That question does not seem to have been asked of the various provincial Premiers. Perhaps that is why this Government is now dragging its feet on the promise it made up and down the byroads of rural Canada, to abolish capital gains tax on farm land absolutely and completely. I believe now the Conservative Government is beginning to come up against the reality of the fact that the provinces do not seem to be particularly enamoured of the proposal. It has not taken into account the very real possibility of windfall gains for people who have dedicated very little of their working lifetime to agriculture. It does not know how to deal with the problem of land being taken out of agriculture. How is that monitored? The Conservative Government is opposed to that sort of monitoring through FIRA or any investment agencies. But it seems quite clear that if land is going to stay in agriculture, there will have to be some sort of follow-up agency to make certain that that is in fact the case when land changes hands and the capital gains tax is avoided.

Finally, I should say that I have no objection to seeing this motion go for further study. I am just very sorry that so little homework was done by the Progressive Conservative Party before it went to the country with such an over-all policy prior to the introduction of which so little preparation had been done.

Mr. Don Boudria (Glengarry-Prescott-Russell): Mr. Speaker, I am pleased to participate in the debate on this motion. I believe the motion is very well intentioned, Mr. Speaker, but I must point out one flaw in it which is of concern to me.

The motion addresses itself to the topic of abolishing capital gains tax on *bona fide* farm land. The problem is, Mr. Speaker, that not all *bona fide* farm land is owned by *bona fide* farmers. The difficulty I have, Mr. Speaker, is that being on the outskirts of the city of Ottawa, my own constituency is a very large agricultural area. Nevertheless, we see the urban sprawl coming closer, and I am sure that is the case in the area surrounding most cities. There are large tracts of good farm land classed I, II, III and IV agricultural land, which is presently owned by major developers. In some cases that land is owned by developers and leased or rented back to farmers to grow crops on, although that is not always the case. We could argue that good agricultural land should not be used for development purposes. However, we will leave that debate for the legislators of the Province of Ontario. That debate has gone on for a long period of time.