

Income Tax Act

the extent that the next generation will have to continue to work in order to meet the mortgage payments to the government. Some people to my left have said that this legislation does not go far enough. It goes so far that when the farmers wake up in a few years they will find that they cannot continue to own the farm.

If a farm is passed on to a son or is sold, the capital gains tax will mean either that the farm will be turned over to the government or will be mortgaged to the state. I believe when speaking in the southern part of Saskatchewan or Alberta during the last election the Prime Minister said that the objective of the government was to have the farms owned by the government. This is what the bill will do if the capital gains tax is implemented.

Mr. Mahoney: Let us have the report of what the Prime Minister said on the record.

Mr. Woolliams: I can easily read it into the record tomorrow because I have his statement as it appeared in the *Calgary Herald*.

Mr. Mahoney: It is gospel!

Mr. Woolliams: It is up to you to argue with the *Calgary Herald*.

Mr. Osler: Give us the reference.

Mr. Woolliams: My friend from Winnipeg is a peculiar man. He never believes anything. I just want to make my point. The hon. member should go down Main Street in Winnipeg and stand on the corner on a cold day. What would happen there on the corner I think would apply to him, and he knows what it might be. When the capital gains tax is applied against the farmer I believe he will pass on the farm or it will be mortgaged so that he will, in effect, be giving a mortgage to the government in lieu of taxes. If anyone denies that would be the result of the capital gains tax when the farm is sold, then I would ask him to stand in his place and say so.

I was interested in what one hon. member said this afternoon. I refer to the hon. member who has supported the government up until now. He spoke of equating the value of the land with its purpose. For example, if it were a dairy farm it would be valued for the purpose of dairy production. In an area between Calgary and Red Deer, in that area around Regina, Saskatoon or Moose Jaw or Edmonton, you will find that the farm is valued because of its proximity to an urban centre. I believe this would be true around Brandon and Winnipeg. The result is that the demand for the land determines its price. The amount of capital gains tax a farmer or rancher will pay when he has reached the period in which he wants to retire will be so great that he will not possibly be able to retain the title to his farm. This situation is particularly true under present marketing conditions. Let me deal with this for a few moments.

Under the capital gains tax structure and under the quota system which limits the cash flow to the farmer's pocket, the farmer would never be able to meet his obligations under this capital gains tax provision. I say this is proof that the capital gains tax will mean that the farmer or rancher will either keep the land or eventually it will become a state farm or be mortgaged so that the second

generation farmer will have to work all his life in order to be able to pay off the mortgage. The farm economy is such that he would never be able to produce enough dollars in extra cash to meet the capital gains tax even if it were spread over a period of years. A tax is, in effect being added to the tax on the land on which they are producing in order to pay the capital gains tax. I believe this is a severe discrimination against a particular class of people. It discriminates against the farmer because, even though we are becoming urbanized, there are more farming operations in western Canada, in the farm belt of Ontario, the farm belt of Quebec and even in the farm belt of the Maritimes, than there are small businesses in the cities.

So this legislation really discriminates against an industry which until now has been the real backbone of our country. This is why when talking of the rate of tax, and the changes in tax structure, the real problem about which the farmers should be concerned is the capital gains tax because one cannot be separated from the other. This is why I submit that eventually those farms will go to the state, particularly under the kind of marketing arrangement we have which determines the amount of cash a farmer receives with which to pay his taxes. The minister in charge of the Wheat Board tells us that sales are good. Well, during the past five years, in respect of wheat sales, Canada has dropped from first to sixth position. The minister says we have wheat sales, but the truth is that this government and the previous government have never realized that the real problem in western Canada has not been a surplus of grain but rather the tie-up in getting the product from the farms to the country elevators, to the ports and then to the countries which buy it.

We have had management and labour disputes and so on. In these circumstances, how can a farmer pay the increased taxes which will result from the capital gains tax being added to his personal income tax or corporate tax indirectly. He will have to borrow in order to do this and he will have to pay interest on the money he borrows which will increase his cost of production. Because of this legislation and high taxes, the ownership of the farm will be turned over to the state or to other people and, as a result, the farmer who has worked all his life must pay a capital gains tax added to the tax on whatever other income or investments he may have. This is why the whole tax structure should be discussed in one package when we deal with agriculture.

• (5:50 p.m.)

The Assistant Deputy Chairman: The time of the hon. member has expired. Is there unanimous consent to allow the hon. member to continue?

Some hon. Members: Agreed.

Mr. Woolliams: Thank you, Mr. Chairman, I appreciate that very much.

Under section 28, farmers may continue to compute income on a cash basis and the existing provisions requiring inventory and or accounts receivable to be brought to account on disposal of the business or on leaving the country are also continued. It is true that the farmer will be subject to automatic general averaging rules. He may elect to use the existing five year block averaging provi-