

Income Tax Act

The government also intends to take away the advantage of the basic herd principle which was established a good number of years ago, in the late 40's. The farmer will be able to enlarge his basic herd until December 31, 1971 and if it is enlarged after that he will have to pay a capital gains tax on the increased value of the basic herd. We would seem to be destroying one of the privileges livestock men have acquired over the years. This will tend to simplify the method of taxing the livestock man and bring about greater control over his income.

One might ask what the purpose was of the basic herd. I believe one purpose of the basic herd concept was that a person would pay income tax on money he set aside to enlarge his capital investment at the time he was earning it and then when he retired or withdrew from the livestock industry he would not have to pay income tax on this money which he had invested in increasing this herd during his working period. We must ask ourselves whether this is important to the agriculture industry. What is the average age of participants in this industry? A recent study carried on by the Alberta Wheat Pool in respect of the province of Alberta showed that the average farmer in that province is well over 45 years of age and is crowding 50. I believe a similar study has been carried on in Ontario. Without any boasting I believe Alberta ranks low in respect of the average age of farmers. I think there are more young farmers in Alberta than there are in any other province.

In any event, it is common knowledge that many people involved in the agriculture industry will be retiring within the next 10 years. There will be a tremendous changeover in the personnel involved in the agriculture industry. I believe there are 480,000 farmers today, and I should like to see the same number in the next 10 years comprised of new young men in the industry. Here we are doing away with a basic concept which encourages young men to set aside money in their working years which will not be taxable when they retire. What will happen to the people who have been involved in the basic herd during the last 20 years? They will retire perhaps in 10 years from now. I realize the price of meat to the consumer is high enough, but I have no real assurance that inflation will be curtailed or that the livestock man will not suffer from ad hoc financial policies of one government or another. Therefore, it is quite conceivable in my mind that livestock will increase in value in the years ahead. It has happened in the past, and I believe it will happen in the future.

The result of the change in the basic herd concept is that those who retire will be subject to a capital gains tax on the money they have set aside. This is not fair because, in essence, it is a change in the rules in mid-stream in respect of those who have retired and who have made use of the basic herd concept. For this reason, I can only come to the conclusion that the government is heartless with regard to the agricultural industry. The government would like to get rid of a third of the farms. Then, according to some kind of odd logic, they think all will be well.

We must deal with the effect of the capital gains tax on property which a farmer purchases from time to time. We are told the capital gains tax will affect anything of a capital value over \$1,000. We all know a farmer is a large purchaser of machinery. From time to time the Minister

of Agriculture and the minister in charge of the Wheat Board, in statements and propaganda in the Assiniboia riding, have suggested that farmers have a tendency to over-capitalize in respect of farm machinery. I shall not go into that now, although I believe it should be pointed out that we have just had an exhaustive study of farm machinery prices. I refer to the Barber commission. I do not know what this commission has cost. It has published 12 volumes and I believe is still publishing additional volumes. As yet the Barber commission has had no effect in lowering the prices of farm machinery. The commission did not recommend any changes in the taxation structure. These changes in the capitalization apply—

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

Mr. Horner: May I just finish the sentence.

An hon. Member: One sentence.

Mr. Horner: I would like to conclude this sentence because I was entering a vein of thought that would make no sense otherwise.

An hon. Member: Nothing else does.

Mr. Horner: The portion of machinery cost that is fully depreciated, and which is allowed on a trade-in, will now become subject to tax. This will do more to increase the cost of farm machinery than the Barber Commission has done to decrease it, by tenfold or by one hundredfold, because the Barber commission recommended nothing that this government has nerve enough to act upon. But this tax legislation will cause an increase in the cost of farm machinery. When I speak of farm machinery, I should point out that this will cause great havoc to the farm machinery dealers, many of whom will become bankrupt.

• (4:30 p.m.)

I have more to add on this subject but I do not wish to abuse the patience of the House right now, so I will give the time to someone else who might wish to speak. I thank the House for giving me the extra minute or two.

Mr. Burton: I feel that this portion of Bill C-259 is a very important part, and one which deserves serious and close consideration. As will be acknowledged by all members in the House, the agricultural industry of Canada is a very important sector of the Canadian economy. It has been experiencing economic difficulties in recent years which I think surpass any other example that might be cited of economic difficulties faced within the past few years. In my province of Saskatchewan there has been a sharp and serious decline in farm income. It has dropped from \$480 million some three or four years ago to \$188 million in 1970. This is a serious situation.

Leaving aside some of the issues involved with respect to that drop in income, I suggest that there is a point to be made within the scope of our consideration in dealing with this bill, namely that this drop in income imposes a special obligation on the committee to ensure that we have done everything possible to avoid further unnecessary difficulties for farmers in Canada in trying to cope