

Income Tax Act

paper—the stock market did not collapse or slump; in fact, it rose. That was the reaction of the financial market to the government's announcement of the proposed introduction of a tax on capital gains.

I think the most glaring error in the bill as it concerns the treatment of income and the treatment of economic financial gain is the fact that the concern is not with how much money, but rather how it is made. This is a very important distinction. One thing that can be said for the Carter Commission Report is that it enunciated the philosophy that "a buck is a buck". This should have been followed by the government in a consistent fashion rather than the patchwork solutions contained in Bill C-259.

I want to make it clear, too, that I am no defender of the Carter Commission Report. It proposed a rational tax system and some principles to which those of us in this party can subscribe—the principles of equity, redistribution of income, the philosophy that "a buck is a buck". The over-all thrust of the Carter report however was an attempt to point the way to maintain and save the existing economic system without effecting fundamental changes.

As I have already said, we certainly agree that a capital gains tax should not be imposed on a taxpayer's principal residence. We also feel that it is vital to make provision for dealing with the situation and problems of farmers in order that family farms may continue as viable institutions as a result of the application of this act. The leader of the New Democratic Party has already proposed a provision allowing farmers to invest their capital gains in retirement savings plans, the proceeds of which would be taxed when received as income. He also proposed a roll-over provision providing that farmers who may wish to sell one farm and invest the proceeds of the sale in another farm may continue their farming operation without being liable to pay capital gains tax.

• (4:30 p.m.)

Another real area of concern has to do with land legacies, and the passing of land from farmer to son. According to my understanding of the bill before us, if land is passed on by way of sale through an agreement for sale or by way of inheritance, there is to be a deemed realization of a capital gain and someone must pay tax on this deemed realization of a capital gain. There may be people who can meet the bill and pay in cash. Others may pay the bill over a period of time, as is already provided for in taxation legislation. Nevertheless, because of the very nature of agriculture and farming operations, many farmers will find it impossible to pay the tax which may be levied under the act on any capital gain without destroying the viability of the farm unit. It seems to me that careful consideration must be given to this matter. Farmers should either be exempt from the provisions relating to the deemed realization of capital gains which would apply when family farms are passed on within the family, or else they must be given adequate time for paying the tax on capital gains which must be paid.

The subject of capital gains received a good deal of study by the Standing Committee on Finance, Trade and Economic Affairs of the House of Commons. In this area we received many representations. Members of the New Democratic Party listened to those representations carefully. Very often those representations were framed in

[Mr. Burton.]

such a way as to suggest that they were being made on behalf of the average or typical Canadian taxpayer. Yet, very often the so-called average typical Canadian taxpayers went to the expense of having the briefs printed. They spent money on travel and accommodation and spent the necessary time to appear before the committee and protest against the capital gains tax. I suggest that many of the people who appeared before the committee—and I am in no way criticizing them for appearing or suggesting that they should not have the right to appear—certainly were not typical of the average Canadian taxpayer. Many of those people probably were able to deduct the expenses associated with their appearing before the committee from their personal taxable incomes, or from the incomes of the corporations on whose behalf they were appearing.

As I said before, we noted, when the white paper on tax reform was announced and when subsequent discussions took place, that the stock market did not collapse. It did not collapse when it was announced that there was to be a capital gains tax, because the pleas of those who opposed the capital gains tax were discounted by the facts. For the members of the New Democratic Party, the introduction of a full capital gains tax, which none the less takes into consideration some of the situations I have already mentioned, remains a sound and necessary principle if we are to have any form of an equitable and just tax system. Thus I hope that the government, in giving these matters consideration, will make the necessary changes in the bill in order to take into account suggestions which have been made to the government by members of this party.

Mr. Murta: Mr. Chairman, I welcome the chance to speak on the capital gains tax provision, especially as, in my view, it will affect the farming areas of Canada. I believe that the capital gains tax will be a tax which, when it is administered, will completely disregard the nature of the farm economy. In my opinion, this tax will seriously hamper the growth of an already troubled farm economy. Agricultural development will be seriously hindered as a result of this tax.

Many economists say that Canada does not lack the capital which is needed for expansion but that Canadians are too hesitant about investing their savings. I dispute this, Mr. Chairman. In my district there are definitely limited amounts of money available for farm and business expansion. Until the present, capital gains were one of the sources of investment income. Now, those gains will be taxed. This measure, combined with government tax measures affecting credit unions and the complete destruction of the incentive for foreign investment to come here, will definitely cut down available moneys which are desperately needed for expansion in the rural areas of Canada. I will save my criticism regarding the taxation of credit unions and express it on another occasion. However, I will make one point. Credit unions, especially, serve a tremendously useful purpose in that a credit union's loosened credit restrictions have often made moneys available to farmers and small businessmen when there was no other source available. Now these loosened credit restrictions are to be seriously curtailed.

My purpose today, Mr. Chairman, is to point out to this committee that there is a great deal of urgent concern among the agricultural community and that the present