

*Income Tax Act*

**Mr. Mahoney:** Mr. Chairman, I think the poor attendance of the Official Opposition here today is a pretty clear indication of the genuine interest they have in the bill, and perhaps indicates that the time to terminate the debate has indeed arrived, since only seven of them appear to be with us.

**Mr. Horner:** On another point of order, Mr. Chairman, this petty bickering that the minister and his parliamentary secretary are indulging in does nothing for the debate, but I advise them to do their counting just a little more accurately. There are more than seven members of the Official Opposition in the house.

**Mr. Gibson:** Where are they?

**Mr. Benson:** Seven.

**Mr. Horner:** Just be a little more accurate, boys.

**The Deputy Chairman:** Order, please. These points of order and arguments not related to the bill do not help the work of the committee. I would invite hon. members to come back to the various sections that are before the committee at this time.

**Mr. Mahoney:** Mr. Chairman, I must apologize to the hon. member for Crowfoot. There are indeed eight Tories in the House. Now, with respect to the question that I was rising to answer when the hon. member for Peace River opened this riposte with his point of order, the hon. member for Crowfoot seems to be trying to leave the impression that a capital gain is realized when a farmer disposes of an item of farm equipment. This is no more true of a farmer disposing of an asset than it is of anybody else disposing of an asset.

The gain is the increase in value, the increase over what the item cost him, or what its base cost was, in the case of an item held at the beginning of the tax system. The gain is the increase that he receives over what it cost him, when he disposes of it. It is not the purchase price itself. I would suggest that in the case of farm equipment it would be a rare and unique piece of equipment that could be disposed of for more than its cost, and therefore capital gains will not arise in a practical sense on the disposition of items of farm equipment.

What the hon. member is confusing for a realized capital gain is recapture of depreciation, which is an income, not a capital gains item. But again, when the farmer stays in business presumably he will be acquiring additional assets of the same class as time goes on, and these recaptures of depreciation, with farmers as with other types of businessmen, generally speaking will be rolled along and absorbed in increased depreciation claims. It is only at the time that the farmer goes out of business, and disposes of all items of the assets of that particular class, that in fact the recaptured depreciation would be final and would come into taxable income, and the tax would be payable in respect of it.

**Mr. Horner:** Mr. Chairman, the minister and the parliamentary secretary were 16 per cent out in their counting of members in the House, and I think that the parliamentary secretary is about 16 per cent out in counting how income tax is equated by the agriculture industry. If we just had a few more people with a little basic experience

in the House, then perhaps the application of the law would be better understood. If I could use the example of the income tax inspectors who come around and visit my place regularly—

**Mr. Mahoney:** I don't blame them.

**Mr. Horner:** Apparently you and your department have "sicked" them on to me from time to time.

**Some hon. Members:** Oh, oh!

**Mr. Horner:** But I might add that the last time they visited my farm they saved me some money. In fact, they were not able to find out where I owed them any.

**Mr. Baldwin:** To their regret.

**Mr. Horner:** Much to their regret and disappointment. Anybody who has been in the business of selling and buying farm machinery knows that this question comes up regularly. Recaptured depreciation is perhaps the correct term, and it has to be accounted as income. Whether or not you continue to buy tractors does not really matter if you made that income. Apparently the parliamentary secretary never had a net worth statement taken out on his operation. Maybe he has good friends in the department—

**Mr. Mahoney:** I have no net worth.

**Mr. Horner:** You have very little net worth as a Member of Parliament, and as a listener to this debate, or you would know more about the importance of net worth for a specific year to the agricultural industry.

I want to return to the subject of the basic herd. Surely, the parliamentary secretary will agree that the American cattle producer is permitted to use the basic herd concept. Mr. Chairman, we went all through this on November 9, and the parliamentary secretary finally agreed that it was two years instead of 12 months that the cattle had to be retained before they could be considered as capital assets. Now, we see the provinces of Ontario and Quebec encouraging farmers to go into the livestock industry. Although agriculture may be looked upon as the problem child in the Canadian economy, the one portion of it that has been relatively sound has been the livestock industry. Why has it been sound? It is because we have been able to compete in the North American market. Surely, the parliamentary secretary would like to think that he would allow Canadian livestock men to continue competing in the years ahead. We have placed ourselves in a very poor competitive position with Australia in the livestock industry and in an equally poor position with regard to the export of cattle to Europe, Great Britain and even Japan. Australia has the advantage of us there. If we wish to maintain our ability to provide meat and meat products to the United States, we must place our farmers in a better competitive position in comparison with farmers there.

• (12:40 p.m.)

The disallowance of the basic herd concept is one more thing that will increase taxes for the Canadian farmer, but there are few methods for increasing the price and lowering the cost of production. No matter where taxes are applied, they contribute to the cost of producing any-