

come up with a realistic approach to agricultural policy in order that we will have a taxation policy that will enable our farmers to survive.

Mr. Stan Schellenberger (Wetaskiwin): Mr. Speaker, I was born and raised on the farm; consequently, I have a feeling for the way of life on Canadian farms and for the many problems and dilemmas which farmers, young and old, face today. I know, for instance, what difficulties young farmers face when they take over their father's farm of agricultural business, as we like to refer to it today, after the father has retired or has died. For this reason I shall confine my comments to the parts of the bill which relate to agriculture.

The bill before us today is inadequate. It forgives the capital gains tax only in the case of a farmer dying and passing his farm on to his son, daughter or another member of the family. It is ridiculous for such a concession to be made only when a farmer dies. Let us consider the perfectly logical case of a farmer in his forties who has a son in his early twenties, a son who is willing and anxious to get into farming—which is perhaps rare today. Perhaps the farmer is prepared to give all or part of the farm to his son in order to get him started, but the son finds out that the capital gains tax would be prohibitive and he could not own the land on which he would toil until his father's death.

I am a young person who recently married. I am not sure it is my political life that is the cause, but we are just beginning to plan a family. I will have the same feelings as my father, and his father before him, who worked very hard to make sure their children would benefit from their work and have a better life than theirs. Our pioneer forefathers spent long hours hewing out a living on the land in anticipation of a bright future for themselves and their children. I resent very much an attitude on the part of any member of this House which would indicate that one generation has no right to pass on wealth in the form of capital farm assets such as land and machinery to another person of the same family.

• (2100)

I think this is a step backward and one which takes away the incentives which have been inbred in our people through the free enterprise system. This is what the government is doing to our bona fide rural farmers by imposing capital gains taxes on farmland and farm machinery, and by taking away the basic herd concept. The farmer has limitations that other businesses do not incur. If a farmer has an increase in the cost of his input, such as fertilizer, machinery, sprays and everyday expenses, he is unable to add these to the price of the barley he grows or the steer he sells. He must pay the increased costs of inflation, labour and other inputs which, should a machine company be faced with them, would simply be added to the price of the product sold to the farmer.

We might consider another set of circumstances in which a young farmer could afford to purchase some of his father's land, or take a loan to do so, only to discover that the capital gains tax was prohibitive because land values had risen tremendously in a speculative area. This is a common situation in my constituency and in many constituencies close to metropolitan areas. Areas within

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30 or 50 miles of a metropolitan area find that land prices have risen because many people have moved into the small towns. I suppose this population flow from the cities is all right in this instance because it takes away from the urban sprawl. But because of this situation land prices in the area skyrocket.

My point is that long before there is any actual development there is excellent arable land available for farming for a period of 10, 20 or even 100 years. It is not fair that young people who happen to live in rural areas should be subjected to a high capital gains tax. We have seen in the past few years recommendations by accountants and agricultural experts to the effect that farm people should incorporate in order that they could pass on partial or total ownership through shares from father to son in the form of a gift, to the allowable limit. My reservation is that this means of transfer should occur free of capital gains tax.

One of the most undesirable aspects of this bill and of other recent tax legislation is the terrific burden in respect of bookkeeping and computation which is placed upon the farmer. Many of our farmers, as many hon. members are aware, are not yet caught up in an agribusiness concept of operation. They keep records in their head, in an old shoe-box in the barn, or elsewhere. Undoubtedly, this is not the most efficient, modern way to proceed. However, it is a fact of life. Most older farmers are set in their ways and will have difficulty adjusting. I hope the government will provide assistance for farmers to complete their returns properly, and will see that farmers are not penalized or prosecuted due to genuine and inevitable confusion and misunderstanding in this transitory period.

In addition, as I have pointed out previously to this House, capitalization costs for farms are rising at a tremendous rate. The average capital outlay for a new farm in 1971 was \$37,000. Today the figure has reached \$80,000. At the same time, the number of census farms in Alberta, and in Canada generally, has dropped off rapidly, and the average age of farmers is increasing to the point where it is now 50 or more. This is not an unusual situation, I might add, in view of the attitudes implicit in the bill before us. It is unfair to impose a capital gains tax on a young farmer who takes over from his father who may have been running the farm on the 1950 basis, because the new farmer may find it necessary to update the equipment and perhaps purchase another quarter section of land in order to make it an efficient farm unit. The young farmer would have difficulty obtaining a loan, not only for the purchase of the land but for bringing the farm up to date, without having the imposition of a capital gains tax upon the takeover.

I am one who believes in rural values and rural ways. Amidst the hurly-burly of city life, its glamour and excitement, all hon. members and indeed all Canadians from rural areas know the special feeling and characteristics of country life, such as the opportunity for reflection and quiet, the stern reliance on self-initiative and self-discipline and the avoidance of government paternalism wherever possible. I believe that such basic values, including the work ethic, were instrumental in building Canada and