

**Hon. John N. Turner (Minister of Justice):** Mr. Speaker, through our counsel I have again asked the Alberta Supreme Court to give a preferential hearing to this matter in order to get a decision as early as possible.

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### EXTERNAL AFFAIRS

#### PROPOSED ATMOSPHERIC NUCLEAR TEST BY FRANCE— GOVERNMENT PROTEST

**Mr. Frank Howard (Skeena):** Mr. Speaker, may I ask the Secretary of State for External Affairs whether it is the intention of the government, if it has not already done so, to lodge a protest with the government of France about the proposed nuclear atmospheric device that is scheduled to be exploded some time next summer on the atoll of Moorea in the Tahitian group?

**Hon. Mitchell Sharp (Secretary of State for External Affairs):** Mr. Speaker, it will be recalled that I answered a similar question last week in which I said it would be the intention of the Canadian government to register a protest with the French government as soon as we knew whether they were in fact going to proceed with this test.

• (3:00 p.m.)

### GOVERNMENT ORDERS

#### INCOME TAX ACT

The House resumed, from Tuesday, November 2, consideration in committee of Bill C-259, to amend the Income Tax Act and to make certain provisions and alterations in the statute law related to or consequential upon the amendments to that act—Mr. Benson.—Mr. Honey in the chair.

**The Chairman:** In accordance with the statement of the President of the Privy Council, as recorded at page 9251 of *Hansard* for Tuesday, November 2, 1971, the Committee will now proceed to the consideration of sections 28, 29, 30 and 31.

On clause 1—section 28: *Farming business.*

**Mr. Downey:** Mr. Chairman, I understand that the terms of reference for this afternoon's discussions are based on sections 28 to 32. I notice these provisions do not cover farm corporations, and I was wondering whether the terms of reference might be extended to include farm corporations within the ambit of the discussion of these sections.

**Mr. Mahoney:** Mr. Chairman, there are not any sections in the bill that I am aware of dealing specifically with farm corporations. I understand that the House leaders or their representatives have decided on the blocks of sections that we will deal with as we go along. I suggested last week when the hon. member raised this particular question with me privately that he discuss it with the hon. member for Edmonton West, who is representing the Offi-

cial Opposition in these discussions. I said that if the House leaders agreed to a change in the allocation of blocks of sections, then we would deal with whatever had been agreed upon. However, I have not been advised that such agreement has been made.

**Mr. Downey:** Mr. Chairman, on looking over some of the figures released by Statistics Canada, as it has been newly named, I notice that something like 46 per cent of the gross national income in Canada is now taken by the government in the form of taxation. This seems to me rather odd. We have many programs that are distributing the wealth of the nation to the people in the form of welfare payments, unemployment insurance benefits and in many other ways. I suggest it might be well so to evolve our tax structure as to enable Canadians to retain more of their income instead of having to depend upon the largesse of the state, which takes it away from them and then hands it back again. Many countries of the world are doing just this, but I do not think it is acceptable to the majority of Canadians.

To deal more specifically with the sections under discussion, namely sections 28 to 32 of the tax bill, as far as the farming community is concerned I find very few advantages in any of these sections. To start with, we are getting away from the concept of the basic herd which has been enshrined within the tax act for many years. Under that provision a farmer or rancher can regard his cattle as a capital asset similar to a machine or some similar device. In reality, I think cattle should be a capital asset and be recognized as such. What rancher or farmer would stay in the business of producing beef if he did not have his "cow machine" to bring his product forward and to place it on the tables of consumers? I say to the parliamentary secretary that if we do away with the concept of recognizing the cattle herd as a capital asset of the farmer and the rancher, we do away with a very important concept in farming and jeopardize the already staggering plight of agriculture. We will only be hastening the demise of the basic herd, and cattle will no longer be considered a capital asset. This is a very important item which I believe we must consider. It is our intention at some later date to move amendments to this section. I hope the minister will seriously consider looking at this concept.

In going through the other sections, I noted an item which will further affect the income of producers. I refer to the averaging concept. Prior to this bill it was possible for farmers, in years of high income, to average the previous five-year period in order to have their tax reduced to a more realistic level because agriculture is a business which is subject to the vagaries of weather, and marketing. We know of many cases, in years when the farmer's income has been low perhaps because of rain or hail, where the averaging feature has been very important. If at the end of a five-year averaging period a farmer's income should be low, he can possibly get something back from the tax department. As I understand the provisions of this bill—and I would ask the parliamentary secretary to correct me if I am wrong—the averaging provision would be applicable only if one's income tended to rise. One can average it up but cannot average it down. I see the parliamentary secretary is not rising to say this is not