

Income Tax Act

for the first 12 years following the implementation of the capital gains tax?

Mrs. McDougall: Mr. Chairman, I think we should keep it in mind that this will help the farmers. There are other plans under way concerning farms and pensions. These matters are being studied, but they take longer. In the meantime, this is intended to help the farmer until those broader issues are resolved.

Mr. Foster: I want to be quite clear that when a taxable capital gain is realized under this scheme it would not matter whether the farm property was continuing agricultural production. Is that correct?

As I understood the Conservative campaign literature, the scheme was that capital gains on farm property would only be non-taxable as long as it stayed in agricultural production. I want to be quite clear that if there is a capital gain under this scheme and the farmer takes advantage of it, the land can be sold for urban development or whatever.

Mrs. McDougall: Mr. Chairman, the property can be sold to anyone for whatever purpose and it will apply.

Mr. Althouse: Mr. Chairman, I have a series of questions on this clause. First, as I understand it, this is not doing away with the capital gains tax which was discussed during the election. This is simply a continuation of the Liberal promise in the previous budget, is it not?

Mrs. McDougall: Yes.

Mr. Althouse: Therefore, for a retiring farmer to take advantage of it, he must buy 12 \$10,000 RRSPs and bring that back into income in the future. It is not an avoidance of the capital gains tax, it is simply a way of stretching income from that capital gain into future year's income. Is that correct?

● (1600)

Mrs. McDougall: Mr. Chairman, a farmer can buy one or 10 RRSPs. A farmer can buy as many as he likes. The funds will be taxable. It stretches out the tax and gives him or her a steady source of income. Whether he does that in one plan or 40 plans is up to him or her.

Mr. Althouse: Mr. Chairman, I wanted to make it clear that this was not a way of doing away with tax on capital gains, but simply a way of delaying the capital gains tax into future years.

I want to deal with the definitions on qualified farm property found on page 77 and the full-time farmer definition found on page 78. These are the sections where we get into the problem that I had alluded to earlier with farmers who have chosen to set themselves up under a co-operative structure. I should get clarification from the Minister since she has her experts with her.

Does this description of a taxpayer in a corporation in paragraph (b) on qualified farm property include the type of

co-operative that I was talking about just a few moments ago where the property is either held under a co-operative in fee simple in title or, which is the more likely case, the land is held by individual shareholders in the co-operative and they have chosen instead to operate a farming co-operative. This particular aspect of the Bill deals with qualified farm properties. This would affect those properties where the land is owned by the co-operative. Are those properties also eligible to be rolled over to the next generation through a transfer of shares? Are they eligible for the RRSP benefit, or have they been missed?

Mrs. McDougall: Mr. Chairman, could we have a little time to double-check this? I do not think it qualifies, but if the Hon. Member could give me a minute or two, I could give a better answer.

The Assistant Deputy Chairman: Yes.

Mrs. McDougall: Mr. Chairman, as this is drafted, we believe it is intended to incorporate definitions in this section all related to a family farm and whatever its definition is. We are checking right now with the Department and we will tell you later in the debate, if that is satisfactory. I know the point the Hon. Member is trying to make and I am doing my best to answer the question. Obviously it is not clear from this.

Mr. Althouse: Mr. Chairman, I have a few more questions along these lines. Perhaps when we finish with the questioning we could stand the clause and go on with other parts of the Bill. I am curious as to whether the definition of a full-time farmer would include a farmer operating along with a group of farmers in a co-operative. This is the other side of the coin to the first question. Revenue Canada has not done a very good job of addressing this matter and that is partly the reason I am raising it today. I have written letters to Ministers of Finance and I believe to the Secretary of State for Finance as well concerning this issue. What happens is that Revenue people tend to see farmers operating together in a co-op mode as being neither fish nor fowl. They are not able to transfer their property under the roll-over provision because the Department says they must be actively farming the land they are proposing to roll over to their sons, daughters or grandchildren. The requirements of Revenue Canada now are that the land must be farmed for two or three years by the donor or two or three years by the receiver prior to the roll-over provision taking place. Because co-operatives have been omitted from the Act, anybody engaged in that sort of farming is not permitted a roll-over. Consequently, many co-operative farms are having to die after the current generation of farmers reach a retirement age simply because there is no easy way for them to transfer the farm to their children.

Similarly, I want to be quite sure before we pass this Bill that we do not also discriminate against co-operative farmers who want to sell out, whether to their children or to others. I see no reason why they should be discriminated against when they are now permitting people who have structured themselves in a regular corporate manner to have access to these