

Income Tax Act

to whether or not the provision has reason to stand at least in a limited way.

● (1710)

Consideration has been given to section 31, but there are two arguments. The one put forward by my learned and hon. friend is one side of the argument only. The other side allows someone who is really not a farmer to reduce substantially his income, if the section were removed, and gives protection against an unnecessarily high tax expenditure from income from other sources being used.

I admit there is room for a discussion or refinement of the section, refinement being where there is strictly an opportunity taken by someone to overcome what would otherwise be taxable income by using expenditures of great dimension against other income. If that were allowed to be taken advantage of by everyone, what would be the end result? What is the policy angle involved? If it is a policy angle to attempt to let the taxpayer go from a mere employee at General Motors to buy a farm and to slide into farming using tax expenditures, for all intents and purposes really government grants, is that what our Government, whatever Government it may be, wants to do? If that is what you want to do, maybe we should say it, Mr. Speaker. If what we want to do is permit someone just to take advantage of the Tax Act, to get reductions in his actual tax payable by going into a non *bona fide* operation where there is little or no hope for income but lots of expectation of losses, and if losses were not curtailed, it would be a loophole or a tax expenditure which would have serious consequences on the integrity of the whole Act. I am not at all sure that the Hon. Member is correct if he were to say, or to suggest to us at least by implication, that all farmers would be happy by a mere deletion of Section 31. I will go with the Hon. Member for Fraser Valley West (Mr. Wenman) a certain distance. I will go the distance that the matter which he has brought before the House this afternoon is timely. It is my understanding that the basic question is being considered by the Department. I can say there is no firm decision that there should be a step to remove the section completely and to remove any safeguards. The expenditure from what is in fact and in substance merely for a hobby farmer would be to remove any tax payable from his normal income, regardless of how much that income was and how much tax there would be thereon, but I am prepared to go part of the way to agree that Section 31 is controversial.

I think there is need for a refinement, perhaps for a small farmer who is merely working off the land to supplement his income until his farm becomes profitable or at least so it can sustain the operation. That might be quite in order. I am sure if one were to study the section and to study the implications with great care and go into the question with Departmental officials, one would find there have been improper advantages taken of the Section over the years. That is my understanding. In a genuine case where a person has in fact and in substance a genuine farming operation, which admittedly may be losing money, that individual may be forced temporarily to remove himself from being a full-time farmer and take some income

elsewhere. If he wants to use some of that income where it is limited to \$5,000 in order to limit the tax payable on his secondary income, it may be perfectly all right, but to do what the Hon. Member for Fraser Valley West says, which is to let him go whole hog and remove all his income from taxability, may be to place on the shoulders of the other taxpayers an unfair tax burden.

I for one would be hesitant to do that. I am a farmer's son and, like many of us in the House who are second generation farmers, we are hesitant to do anything that would hurt the farmers. We are always anxious to do something helpful, but one must look at the fairness of what we are trying to do.

There are in society, and farmers are no exception although it seldom happens in the farming community, some people who take advantage of any section or any tax expenditure no matter how carefully the section is drawn to turn a legitimate tax expenditure or legitimate loophole to their advantage. Thank goodness there are a very limited number of such people in our society.

If we were to say this afternoon, that we should remove Section 31 altogether and not limit the expenditure from the so-called hobby farm as against regular income, I would have to be against the motion. I know there are legitimate cases. I accept the fact that the Hon. Member for Fraser Valley West is putting forward his motion on the basis of legitimate cases, but there is room for honest men to disagree on how the matter should be approached.

The way this motion approaches the problem leaves a lot to be desired. But if you approach it by amending Section 31 either by changing the amount of the \$5,000 expenditure or by putting in certain safeguards and spelling them out, that might work. Probably one of the problems with Section 31 is the interpretation it has received by the department and its officials, including the feeling and the position of the Minister of Finance (Mr. Lalonde) which he put forward in his Budget of February 15, 1984. We must also consider the decisions made on tax cases concerning this matter. I think the Section is drawn in such a way that there is a serious difference of opinion about it and that has to be removed. That perhaps is true, but to say that is not to say we should support removal of the Section without due consideration as to its statutory history.

We must look at the ramifications. How has this section affected genuine farmers? By that I mean not the hobby farmer but the genuine farmer who is in a tight situation trying to make a farm produce taxable income and in doing so, trying to survive and at the same time fight very hard with another job off the land to make the total operation—the farming operation and what he does elsewhere—at least profitable.

● (1720)

I am prepared to discuss the basic question with the Hon. Member. However, I have reservations about removing Section 31 and letting the chips fall where they may. It is probably true to say that the problem is as much one of