• (4:40 p.m.)

One of the reasons which make the Carter concept objectionable concerns the complexity which would be involved in the keeping of the necessary accounts in order to report to the Department of National Revenue. I should like to quote from the Montreal *Gazette* of Tuesday, November 21, which contains a report of a meeting of the Canadian Institute of Chartered Accountants held in Montreal. The report is entitled "Carter Too Complex". Here is what was said with reference to the Carter report:

> We foresee great difficulties in the administration of a system which depends for its success on the willingness of all citizens to maintain full records of their financial transactions.

I should like to say that one of the greatest objections that farmers raised when I met them recently concerns the accounting they must do not only for income tax purposes but for the Canada Pension Plan, the Unemployment Insurance Commission, and all the other agencies which demand statistics and figures with regard to the operation of individual farms and ranches. If accounting on an accrual basis rather than on a cash basis were introduced, as suggested in the Carter report, the complexity of accounts which farmers must keep would be increased. I suggest that regardless of whether or not the amount of taxation would be greater there would be a great deal of resentment simply because of the increased complexity in reporting income.

I suggest also that we consider some other suggestions of the Carter commission. I believe that farmers would also resent the recommendation of the commission with regard to capital gains. For example, if there were to be only a once in a lifetime allowance of $25,000 on capital gains which could be transferred from father to son or to some other member of the family, it would be the end of many farms. Let us say an arbitrary figure would be set as to the value of the farm and all the assets attached to it based on market conditions or the market for land in the immediate area. The result would be that the farmer and his family, with the exception of the $25,000 exemption, would be forced to raise the income tax in cash based on the regular income tax rates. Farmers would have to sell a large portion of their land to meet the cash requirements of such a tax.

Another recommendation made by the Carter commission concerns the integration of family income, which might be a little easier to apply to farmers than to others. But even this would be extremely difficult and I suggest that on these grounds alone this recommendation would be rejected by the farming community.

I should now like to say a word concerning the royal commission's recommendations with respect to resource development industries. One thing we must realize is that a great deal of the important resource development in Canada is undertaken by companies which are active on an international scale. In other words, the creation of a large measure of employment for Canadians is based on capital which could just as easily be spent in some other part of the world where the competition or the risk factors involved might be smaller. This is particularly true of the petroleum industry, but I suggest it is also true of many other resource development industries.

As is suggested by the royal commission on taxation, it is not a question of whether certain capital is invested in petroleum, copper mining or iron mining but whether it will remain in Canada and be invested in risk development or whether it will be used for essentially the same kind of development in other parts of the world. In other words, it is not a question of whether $100 million, for instance, is invested in the petroleum industry or in some other industry in Canada but whether or not the money remains in Canada, because unfavourable taxation structures in Canada might induce a particular company to use its $100 million for risk exploration and development in the same industry in some other part of the world. Throughout the years Canada has been known as an attractive place for petroleum investment and exploration, not because there is a lower risk factor involved here or a lower cost of development but because there has been a better political climate in Canada than elsewhere. So the safety of the investment, if it proves profitable, has been considered far higher in Canada than in most other parts of the world.

I suggest we should consider our taxation law and structure with regard to resource development and we must also consider the relationship between our laws and, for example, those of the United States. There is concern in Canada today about the equity of Canadian ownership in Canadian industry. I suggest that if our laws with regard to resource development companies differ from