• (9:50 p.m.)

Farmers are also subject to all the problems inherent in small businesses seeking funds for their expansion. It is often difficult for the farmer to obtain funds with which to acquire more land. Our Department of Agriculture officials seem to be enamoured with the concept of the large or integrated farm. If that is to be done, capital will be required to do it, capital far in excess of what can be obtained from present outlets. Farmers will be able to deduct capital losses on principal residences, but only if those losses result from the sale of a farm. I could go on, Mr. Speaker, but I have given enough detail to show that the present proposals in the white paper on taxation will work an unjustifiable hardship on small businessmen and farmers. I think what I have said is pretty well summed up in an article that appeared in the November 11, 1969, edition of the *Globe and Mail* from which I now quote:

> The 21 per cent rate persuaded small and new businesses to plow much of their earnings back into the business. By taxing them at a concessionary rate it provided them with an internal source of expansion capital. It also permitted them to defer the payment of tax at a level higher than 21 per cent until they took earnings into personal income, which might be for many years. This provided a second source of capital.
>
> Now the small businessman will have to pay 50 per cent on all his profits. If he takes them into income he will almost certainly be paying at a rate higher than 21 per cent.

As the white paper sets out, in a few years it will be at the rate of 50 per cent.

> Either way he will have less capital to develop his business. The small business, moreover, has always been at a disadvantage in the market place; it has always been less able than large business to borrow for expansion.
>
> The proposals of the white paper will make it much more difficult for a man with bright ideas to start and build a business.
>
> Canadians cannot know how much of their productivity and prosperity has depended upon creative men who started small, with the aid of the low 21 per cent rate and eventually grew big and forced their competitors to grow also, and thereby provided wealth and jobs all round.

One has only to look at any small business community to see the effect it has on the economy. It brings employment and wealth into the area. The tax base is widened as a result of expanded business enterprise. Having emphasized the recommendations as they now exist, perhaps it is only fair to suggest alternatives or in what way the proposals of the white paper could be changed to make it more palatable and easier for the small businessman to prosper. As my colleague mentioned a few moments ago, the whole concept of increasing the corporation tax at the rate of 50 per cent should be looked at in light of the succession duties that will ultimately be levied on a particular estate and company. Surely, if it is the intention of the government to tax at the rate of 50 per cent on all profits, by the same token the company should be relieved of the heavy succession duties that are now levied against it. The two should be looked at as one. If a study were made, the succession duties would of necessity be abolished.

The other way out, of course, is to leave the incentive as it is at present. It could be left at the rate of 21 per cent on the first $35,000 profit on business. Perhaps we could devise a method of tax credit to the company such as accelerated depreciation. These are ways in which it could be made more palatable and easier for the small businessman. Sometimes it is difficult for the small businessman and the farmer to get together to present a brief in a form which puts their case forcibly enough to the government.

I trust the committee to which this matter is referred will see that opportunity is given for the farmers of this country, either through their organizations or private individuals, to have every opportunity to set forth, perhaps more eloquently than I have done in these few minutes, the case for a taxation policy that is related to their business.

Mr. Lloyd Francis (Ottawa West): Mr. Speaker, the white paper which we are now discussing is a well-prepared document. In spite of what has been said in some quarters, it makes a number of technical problems fairly understandable. The scope of its recommendations and the material included in it are such that a considerable period of time will necessarily lapse before its full implications can be analysed. I was very pleased with the format the minister chose for bringing this matter to the attention of the House. It means that by the device of a white paper the government has not committed itself to an inflexible proposal. The committee that will hear representations from many parts of this country is well qualified to sort them out and to make recommendations which I am sure will be fruitful to everyone concerned. Tax reform is a particularly difficult and complicated matter, especially when it is of the magnitude which is contained in this white paper.

I believe it is ten o'clock, Mr. Speaker.