

Income Tax Act

Mr. Gleave:—that at this point in time, if you go to any real estate broker in Saskatoon and place in his hands some good farmland, some good wheat land which is in and around that area he will advise you, if he is a good real estate broker, not to offer it for sale. Under those circumstances, how would you at this point in time arrive at fair market value, since values are depressed? Three years from now values may be different, and three years ago they were quite different. I am pointing out to the committee that the fair market value determination is an unreliable method of arriving at the value on valuation day.

Mr. Benson: Mr. Chairman—

The Deputy Chairman: Order, please. Is the minister rising on a point of order?

Mr. Benson: I wish to say simply that if someone bought land four years ago and it went down to a market value below the value at which he bought the land, and if the land then increased in value, the increase up to the level of his previous cost would not be taken into account in calculating capital gains in the future.

Mr. Gleave: I suppose, Mr. Chairman, that will not resolve this question because we do not seem to be on the same wave-length.

An hon. Member: Thank goodness.

Mr. Gleave: I am trying to point out—I am very serious about this—that the method which the government is proposing to use to establish the value of farm property is altogether unreliable. I am shocked and very much concerned to hear a responsible minister say that this is a reliable method of arriving at the value of farm property. I am sure that those sitting on this side of the House who are farmers and who know how farm values can fluctuate, will be as much concerned about this as I am.

Some hon. Members: Hear, hear!

Mr. Gleave: They will be worried about the methods to be used in arriving at property values. I can only say, for goodness sake change your methods and start taking into account actual productive values and assessment values. Add something else to your equation, for goodness sake, or you will create real hardship for the farming population of Canada.

Mr. Benson: May I answer the question, Mr. Chairman? I find it rather astounding that anyone in the opposition would say that the selling price of something, or the amount that something is worth now does not represent what that particular product or article is worth.

Mr. Gleave: The minister does not know what it is worth. Nobody knows.

Mr. Benson: No matter whether you speak of a house or any other article, the market value of the article at that time is what you can get for it and what you can sell it for.

Mr. Stanfield: But the price may be depressed.

Mr. Korchinski: Mr. Chairman, I listened with interest to the remarks of the hon. member for Saskatoon-Biggar and I conclude that he is on the right track.

Mr. Mahoney: But in the wrong party.

Mr. Korchinski: Notwithstanding what the Minister of Finance has said, the value to be placed on a farm property on valuation day can in no way be considered as accurate if the proposed method is used. It will be contested and argued about, and this question will be dealt with in the courts for years to come. The minister should be prepared to concede that there is a relationship between assessed value and market value for valuation purposes. Any formula used should take advantage of such basic factors in arriving at property value. With regard to my land, one quarter section is not worth as much as the next quarter section. In no way can anyone say that one quarter section should be assessed at the same rate as another quarter section. I therefore suggest that there should be some relationship between assessed value and market value at least for valuation purposes. The assessor should consider the assessed value on valuation day.

• (9:20 p.m.)

Mr. Benson: If I might just define “fair market value”—

The Deputy Chairman: Order, please. The Chair finds it difficult to allow the minister and hon. members to follow this procedure. Unless an hon. member asks a question of the minister or the parliamentary secretary, it is best to let the hon. member complete his remarks or at least complete his point before giving an explanation. This would be more productive to the work of the committee than interjection. The normal procedure would be more useful to the committee.

Mr. Korchinski: Thank you, Mr. Chairman. I will not be long. I want to point out to the minister that unless there is a set formula there will be a great deal of litigation, argument and unnecessary expenditure which no one in this country should be expected to meet. They should not have to do this for the sake of a minister or a department that is not prepared to establish a fixed amount. In this way they would know the price when the property was sold.

It is entirely wrong to use the method used in the income tax department whereby a property is worth the same as another property in the area which has been sold. I have already stated that I have land in a section. You cannot tell me that two quarters of land in the same section are worth the same amount. There are certain factors which must be taken into consideration such as road allowances, proper drainage, proper slope, better contour and productivity. Certain land has greater productivity. The department does not know that. It simply asks the ag. rep. what he thinks. In other words, they accept the opinion of the ag. rep. An individual may have a better appreciation of his land than the ag. rep., but theoretically they accept the value established by him.

I may have missed the point, but it is my understanding that the hon. member for Saskatoon-Biggar argued that it is necessary to establish a formula. That formula should be established before we get into argument, litigation and unnecessary spending. It is bad enough to be taxed later. Who wants to fight the government, with all its resources? Because people do not have the unnecessary resources, they throw in the towel. Why should anyone in this coun-