

Income Tax Act

farm machinery have been slowed down. I believe that this measure not only will affect farmers directly but will also affect further sales of farm machinery. It will affect the dealers, and the manufacturers of farm machinery in this country. I point out, Mr. Chairman, that a royal commission strongly urged that we encourage the manufacture of farm machinery in Canada.

• (2:50 p.m.)

Again, for the life of me, I cannot see, in view of what appears will be an insignificant amount of revenue, why we are going to disrupt the manner in which farm machinery depreciation and recapture have been managed. The impact of the new provision will be widespread. I hope some consideration will be given by the government to relieving farmers of the extra burden which is going to be imposed on them through these provisions.

I would now like to quote from a letter which I received from an income tax accountant in the city of Lloydminster, Saskatchewan. He draws attention to the very severe impact on the net income position of farmers that will result from the termination of the provisions for depreciation that exist in the present act. Here, I quote from the letter sent to me by Mr. Fred Lonsdale:

The group of taxpayers whom we represent mainly are middle income people who own property. In the long term I can envisage their tax load increasing sharply. This in particular applies to farmers through the elimination of Part XVII straight line depreciation through recapture of depreciation except that such recapture is subject to 100 per cent taxation whereas capital gains are only 50 per cent.

I note that the parliamentary secretary and the hon. member for Crowfoot had an exchange over the question of whether this was capital gains or income, and judging from Mr. Lonsdale's observations the recapture of depreciation will be taken in as income in the particular year involved. His letter continues:

There is a further loss even to those farmers presently on the diminishing balance Part XI system in that they will in the future be subject to a capital gains tax where equipment is sold in excess of cost—this is quite common where farmers trade up equipment.

That is contrary to the observation made by the parliamentary secretary in his exchange with the hon. member for Crowfoot earlier today. I hope that the parliamentary secretary will be in a position to comment on these provisions before the debate concludes.

The other matter I wish to touch on is that of the basic herd, a subject which has been debated fairly extensively by others, including the hon. member for Crowfoot. I know the hon. member for Wetaskiwin is also going to deal with it. The Senate Banking, Trade and Commerce Committee has recognized the special significance of the farm industry and categorically stated that the basic herd concept should continue for the benefit of farmers and ranchers engaged in this occupation. Very succinctly, in its report at page 47:7, it states:

Your committee recommends that provision be made in the proposed legislation for the continued recognition of a farmer's permanent herd as a "basic herd" and, therefore, as a capital asset.

I believe this is very important. Again, I do not think a huge amount of revenue will be derived from the repeal of this provision, and certainly its repeal will result in a considerable amount of confusion and re-organization on the part of farmers and ranchers.

[Mr. Mazankowski.]

I wish to comment briefly on the observation made by the hon. member for Mackenzie, who suggested that because of the complexity of the tax bill the department might make a zenith number available which taxpayers could call in order to get accurate information without going to the expense of hiring tax accountants and tax lawyers. I think the suggestion is a good one. I note that the Department of Agriculture is doing something like this right now. The other day I dialed a number and heard the Minister of Agriculture give a great spiel about the agricultural policies of the government. If he can provide this sort of service for political propaganda, certainly it should be provided to disseminate facts and explanations with regard to this bill.

In closing, Mr. Chairman, I wish to comment briefly on the position of hon. members to my left. They seem to be waffling somewhat in their position with respect to capital gains. Originally, they said the tax bill did not go far enough, and they maintained that they alone spoke for the farmers. But if we look at their philosophy, we find that they do believe in the concept of capital gains and of estate and gift taxes. As a matter of fact, I believe that the government's of Saskatchewan and Manitoba are in the throes of preparing legislation to impose estate tax as soon as this measure has been passed. Yet members of the NDP in this House sanctimoniously say that they alone are speaking for the preservation of the family farm. That is not in accord with the facts. Members of the NDP cannot have it both ways. On the one hand, they cannot say that the bill does not go far enough, then say they are defending the small family farm and want to see it passed on from generation to generation. I think they should stick to the basic philosophy which they expound so vividly on the hustings, the dissolution of all capital assets on death. If they did so we would know better where they stand, and so would the farmers.

• (3:00 p.m.)

Mr. McBride: Mr. Chairman, it does my heart good, as a private member of this House who has been heavily involved in agriculture, to hear the very distinguished member for Vegreville tearing strips off the people to his left along the lines that he is afraid they are being too sanctimonious when they imply that they, and they alone, are protecting agriculture and the family farm and that they alone believe the rural way of life to be of value to our nation. These are precisely the kind of words that we have uttered over and over again in agriculture committees of this House—and we want to reiterate today that it is also sanctimonious nonsense for the hon. member for Vegreville or any other member of the House to imply that all the concerns about agriculture are to be found in the ranks of the opposition parties and none over here.

An hon. Member: We have not seen it.

Mr. McBride: If my participation this afternoon achieves no other purpose, I hope it makes clear that within the Liberal Party and with members such as myself there is a very deep and abiding concern for the welfare of rural Canada, and we are in a position to use the influence we have to attempt to create policies to help rural Canada.

An hon. Member: Like closure!

Mr. McBride: The hon. member for Swift Current is speaking, as he does, from his seat. I was very impressed, Mr. Chairman, to hear on the CBC this morning—