

Income Tax

Mr. Chrétien: Mr. Chairman, depreciation is fully included in income; it is not related to capital gains.

Mr. Ritchie: If an individual had an item worth \$20,000 which was depreciated to \$10,000, and then he sold it for \$30,000, what is his tax liability?

Mr. Chrétien: He would have \$5,000 of taxable capital gains and \$10,000 depreciation.

Mr. Ritchie: The minister's intentions are good, but to be effective the effect of capital gains taxes on small business must be mitigated. The change would not do much good unless the Department of National Revenue lays down guidelines. If it is narrowly interpreted, hardly anything will get into it. If it is widely interpreted, almost everything goes.

Mr. Towers: Mr. Chairman, I would like to take the minister back a few years to some of the comments which were made. Perhaps I might induce him to lend his ear to the farmers in western Canada, instead of his advisers in the Department of Finance. He will receive sounder advice from the producers of this country than he will from those who live off the fruits of the land.

The former minister of agriculture, Senator Harry Hays, made a comment indicating that the time will probably come when agricultural producers will not own their land. This would be the most dangerous thing which could happen to Canadian agriculture today. The minute that takes place, the cost of food will escalate 50 per cent, 75 per cent or 100 per cent. Pride of ownership makes the individual producer work harder and produce more. I am talking about the consumers of Canada and not just the Department of National Revenue. I am not just speaking for the individual producer; I am speaking for the benefit of all of us.

Mr. Chrétien: Mr. Chairman, the roll-over provision is in the act in order to facilitate the ownership of land by individuals. I do not dispute the statement of the hon. member. In fact, something is being done about it.

Mr. Towers: When Mr. John Turner was minister of finance he agreed to do something about the corporate part of our agricultural industry. At that time it was debated adamantly that there should be a roll-over from one generation to the next. That was good and it was a step in the right direction. Mr. Turner indicated that if we would wait in order to give him an opportunity, he would bring in the corporate part.

We are not asking for a holus-bolus opening up of the corporate share of the industry. The hon. member for Wetaskiwin has a bill before this House to limit the roll-over to \$5 million and, as was suggested by the hon. member for Dauphin, it should incorporate small business. It would be in the best interests of everyone if a policy of that nature came into play.

The agricultural debt will escalate to the point the industry will not be able to carry it. The hon. member for Vegreville pointed out that during the last six years the agricultural debt

[Mr. Ritchie.]

has risen from \$4.3 billion to \$8.5 billion. If the debt continues to escalate, the producers will not be able to afford to own land and thereby will lose control of it. I am not asking the minister to delete that tax entirely. He should delay it when it passes from one generation to the next, as long as the persons involved stay in the agricultural business or small business. It is difficult to separate agricultural business and small business when dealing with the corporate structure. As long as it remains within the family, it would be in the best interests of everyone if consideration could be given to delaying the tax. I would have no quarrel with that. Even if the minister would index it, that would provide some relief.

When the capital gains tax was brought in, it was argued that the tax was unfair. Also, it was argued that the department was gathering data which would not be available to those involved in sales and would be caught up in the tax. This has happened. At that time we warned the minister it would happen. It is causing problems. Now we are speaking about something which will cause greater difficulties.

The minister has indicated that he will look into this problem, but that is not good enough. We need a firmer promise from this minister than we had from the former minister, Mr. John Turner. Mr. Turner indicated at that time that he would look into it, and we are in the same position today as we were then. We need a minister of finance who is committed to this policy. Until the minister listens to those in the agricultural industry, we will be in trouble. Also, he must listen to those in small business. I am not referring to large corporations; I am referring to up to \$5 million, which is the suggested figure.

Unless the minister does these things there will be a continuing problem and members on this side will delay this bill. The minister has criticized our members for the debate we have had on this bill, but I should like to indicate that we are right and he is wrong. Can the minister promise that in his next budget he will bring in something like this, if he will not bring in an amendment to the present bill?

Mr. Chrétien: Mr. Chairman, I am willing to look into that matter. I have talked with my officials about the point raised by the hon. member. We have looked into incorporated farms which do not qualify for the roll-over provision. As yet, we have not found a mechanism to cope with the hon. member's point. An individual who is not incorporated can use the roll-over technique to transfer to his son. That cannot be done by an individual who is incorporated. The tax advisers of the Crown have been aware of this problem for some time and they have been unable to arrive at a proper solution.

The elimination of the powers of corporations can be amended by additional letters patent, and so on. Apparently it is extremely difficult to find a way to confine the operation to farming. The hon. member referred to a proposition which should be attached to it. He referred to \$5 million. Of course, when a corporation is in the \$5 million bracket, in my opinion it is no longer a small business but is a rather important business.