

*Income Tax Act*

were dilapidated when he bought them. In 20 years, he had improved the farmstead immensely. All this takes extra time and labour by the farmer and his entire family. They all do it willingly, and they do not count the number of dollars per hour. But when the capital gains tax is applied against that farmland, the farmer must somehow or other account for the great improvement in the value of the farm and explain why he should not pay tax on it. It seems to me that it is a rather cruel piece of tax legislation which says that you have a \$1,000 exemption per year if you are living on the land, but it does not apply if you are not living on the land.

Many farmers throughout Canada have had to move into town in order to be in close proximity to the schools or universities which their children attend. Many farmers want their children to have a good education. They leave the farm for what they consider to be a temporary period, and they go back to it every weekend or in the summer. Sometimes the husband is on the farm every day, but he is not living there. Since he is not living on the farm, when he dies or when he wishes to pass on the farm to the next generation, he will not receive the \$1,000 exemption. I wonder if the minister could tell us how many dollars the government hopes to acquire from the removal of the \$1,000 exemption in such cases where the farmer is not living on the land.

**Mr. Benson:** First of all, I should like to say that what the hon. member said is not correct. If the farmer moves into town and, as my hon. friend said, he spends the summer on the farm and has a home there, that can be his residence; he can opt that that is his residence and thus obtain the \$1,000 exemption.

**Mr. Horner:** I am pleased that the minister has clarified the position. However, there is still the question of the improvements that he has made to the farm and whether or not he will stay on the farm. It depends on whether he wishes to divide up the farm. There may be more than one child in the family and the farmer may want to divide the farm among three or four children. It is very difficult for some people to understand that every member of the family makes a contribution to the increased value of the farm, and each one should receive some benefit from this growth. Many a farm boy has contributed much work in building up the farm, but when his father and mother die he cannot acquire any portion of that farmland without the capital gains tax being applied.

There is one other question which I wish to put to the minister, and I sincerely hope he will take an interest in this problem. We had the report of the Barber Commission on the prices of farm machinery. The commission turned out 11 or 12 volumes and spent \$3 million studying the matter. This tax bill will do more to increase the price of farm machinery than anything else. The Barber Commission report has not contributed to lowering it. The Barber Commission studied the contributing factors to increase in the price of farm machinery, but this tax bill will cause a rapid rise in those prices because in this tax bill the minister will tax that portion the cost of machinery which is fully depreciated, but which will be regained on resale or trade-in. What amount of money does the minister hope to gain by not exempting from the capital gains tax farm machinery which the farmer may sell and

[Mr. Horner.]

which is fully depreciated? The amount would be infinitesimal; it would be a very small portion of the money that the government is spending.

I hope that in the next four days the minister will consider this important matter because many farmers trade in their farm machinery, such as a combine or a tractor when it is fully depreciated. If he trades it in today, the value he receives is considered a capital gain and he does not have to pay income tax on it. I see the parliamentary secretary frowning at me. I wonder if he will rise to correct me, because this is a very important point that many farmers will learn to their regret after this bill passes. At that stage they will not have this privilege, if they are depreciating their machinery at the 15 per cent rather than the 33 per cent rate.

• (12:30 p.m.)

I agree that under the 33 per cent rate today they do have to consider it a capital gain, but under the 15 per cent rate deduction plan they do not have to consider it a capital gain, and do not have to consider it as income. If the parliamentary secretary would allow that privilege to continue I know that farmers all across Canada would appreciate it very much because they believe that the cost of farm machinery has gone up far too much in recent years. I know that the parliamentary secretary is eager to answer. If he can correct me on this, I will be glad to hear him.

**Mr. Baldwin:** On a point of order, Mr. Chairman, just before the parliamentary secretary rises, and I may say we will be glad to listen to him, I want to mention that we are happy to see, as was mentioned by the hon. member for Calgary North, so many members on the government side of the House for a change.

**Mr. Benson:** Where are your members?

**Mr. Baldwin:** But, Mr. Chairman—

**The Deputy Chairman:** Order, please.

**Mr. Benson:** There are only seven Tories in the House.

**The Deputy Chairman:** Order, please. The hon. member for Peace River is speaking on a point of order, and I hope hon. members will allow the Chair to hear him.

**Mr. Baldwin:** That is the very point I wanted to make. With great respect, Mr. Chairman, I would ask you to remind hon. members that this is not the place for a social hour. This is a place to gather to listen to the words that are being addressed to the Chair. I suggest that the Prime Minister and others who are here might do well to pay attention to the pearls of wisdom which are being cast by the hon. member for Crowfoot.

**Mr. Benson:** On the point of order, Mr. Chairman, I would say to the seven Conservatives in the House that anybody who cannot hear the hon. member for Crowfoot speaking above any kind of noise in the House must be deaf.

**Some hon. Members:** Hear, hear!

**Mr. Baldwin:** This is a real test.