

*Income Tax Act*

related to the United States capital gains tax? It seems to me it would be of little value.

• (10:00 p.m.)

I know the parliamentary secretary does not have to be well versed in the livestock industry, but this bill has been before us a long time. Section 29 deals with the basic herd concept and he and his officials know that this was a tax concession fought for by the livestock men, for value received and amply used, particularly by men who are reaching retirement age. The bill has been under study for a long while and surely the officials at least have considered the system of capital gains taxation employed in the United States as it affects the livestock industry.

The bill before us did not appear from nowhere. Surely we have the right to inspect an outline of the situation before we are asked to pass this section. Subject to correction, as a man engaged in the livestock industry I would much prefer the United States capital gains tax system to the system which is proposed here. I have other questions I should like to ask, but if the hon. member for Saskatoon-Biggar is anxious to take the floor I shall say no more at this time.

**Mr. Mahoney:** Perhaps I might say a word in clarification of this point before we move on to another plateau. The United States experience is one which basically involves timing. When we talk about a capital gains tax system and speculate about when it will reach what might be regarded as a norm of transactions and, hence, of revenue, it is really a question of acquisition of holdings, the length of time in which property of one sort or another is held and the disposition of the same, at which point the tax becomes applicable. We believe that the United States society is comparable to our own in this area and that their experience is valid for this purpose, which is not, of course, to indicate that the system we present is by any means identical with theirs.

**Mr. Horner:** The point the parliamentary secretary has not noticed is that the United States system involves a time factor which is built in with application to the livestock industry. A taxpayer can opt for a short-term or a long-term application of the tax. This is where the number of years in the guesstimate is involved. Would the parliamentary secretary have one of his officials do a little study on this point overnight?

**Mr. Mahoney:** That is what I have undertaken to do.

**Mr. Horner:** I appreciate that.

**Mr. Gleave:** Would the parliamentary secretary comment on a situation which as I see it may place the individual farmer in a difficult position? If we approve a capital gains tax as proposed, and if at the same time certain provinces decide to impose an estate tax, would the hon. gentleman agree to consider the position of the individual entrepreneur farmer as against that of the corporations? Would he care to consider the possibility of the survival of each of those two structures, bearing in mind that the individual is subject to capital gains tax and at the same time to estate taxation, while the corporations are subject only to the capital gains tax and then, possibly, at a lower rate?

**Mr. Mahoney:** I am a little mystified as to the significance of the difference which the hon. member sees as between corporations and individuals at this level. It is true, of course, that corporations do not die, and hence there is no estate tax. But shareholders of corporations, who are the real farmers, do die and in a jurisdiction where death duties are applicable those duties will apply on the value of the interest they might have in a corporation. So I am not conceding that the owner of shares in a corporate farm is necessarily in a better position from this point of view than an individual farmer.

Of course, the decision of some provincial governments—coincidentally, those of the hon. member's political persuasion—to move in and occupy the field which the federal government intends to vacate is one which I rather regret. I think these provinces have perhaps ignored that they will be sharing in whatever increased revenues are collected as a result of the inclusion of capital gains in the tax legislation.

**Mr. Gleave:** It really would not matter whether the provincial government which proposes to levy on estate tax is of my political persuasion, or Social Credit or Conservative or Liberal because the net result would be the same. My understanding is that there is provision within the government's policy for the levying of an estate tax if four provinces agree on this procedure. I see the parliamentary secretary indicate that this is not the case. In any case, it is quite possible for this to be done.

My question is: Is the government prepared to look with equanimity on the imposition of both a capital gains tax and an estate tax on these individuals at the same time? Is it considered they will be able to hold enough capital to enable them to remain in business? I doubt that they will be able to do so.

**Mr. Mahoney:** It was clear in the budget announcement that it was the intention of the federal government to withdraw from the collection of estate and gift taxes. This indicated the government's view. At the same time, the imposition of an estate tax is a matter entirely within the competence of provincial legislatures. The federal government has not said it would continue levying estate taxes provided four provinces agree this should be done. What we have said is that we will collect it for them. The Department of National Revenue will collect provincial estate taxes if four provinces who do not already have collection machinery decide to enter this particular tax field. We would act purely as a collecting agent and would expect to be paid a fee. We would also expect the enabling statutes to be pretty well uniform, to be fair and reasonable, and so on.

• (10:10 p.m.)

But it would be purely a matter of making available to the provinces the tax collecting facilities of the Department of National Revenue, which we assume would be a more economical means of collecting this revenue than if the provinces were to set up their own collection divisions in the provincial public service.

**Mr. Richie:** Mr. Chairman, before discussing capital gains in a general way I ask the parliamentary secretary whether he could clarify a matter for me. Section 31 is