I believe the matter of the family farm corporation needs review. In the last decade an increasing number of farmers have sought to hold their financial position and guarantee continuity as a basic family farm enterprise, and some have incorporated with this in mind. We should make certain that any provisions which are applicable to the individual farmer are also applicable to the family farm corporation. There are, of course, farming corporations to which this would not apply but there could be a provision which would tie the two together. I suggest that if 75 per cent or more of the shares in the family farm corporations were owned by members of the family, it should be treated as if it were an individual farmer. Certainly, if the major part of income were derived from the corporate farm it should be treated in the same way as an individual farmer in regard to taxation.

Problems will arise in regard to the transfer of a farm within a family, whether by sale or inheritance, particularly on the question of realization of capital gains. To the best of my knowledge there is at present no provision for farms transferred within a family, except to the spouse, whether by sale or inheritance, without immediate realization of capital gain. This would be true of the sale or transfer of the farm to a son or of inheritance by the son of the farmer.

We are told that this problem might be avoided by estate planning and if there had been incorporation of the farm. We all know that a farm is a very dangerous place to live, that there are a great number of tractor accidents and that sort of thing. Suppose the farmer and his son were farming together and an accident befell the son to whom the majority of shares had been transferred. If the son died prior to the father, it could mean that the father would have to pay capital gains tax if he were still operating the farm corporation. We know that credit is about as tight as a G-string on most farms at the present time, so there must be in this act provisions to take care of the situation I have outlined. In 95 per cent of the farming operations with which I am familiar, payment of cash would put a great strain upon them.

I would strongly urge, therefore, that transfer of a farm to a son or daughter, whether by sale, gift or inheritance or whatever the circumstances, should carry with it no realization of capital gains so long as it stays within the basic family farm unit. The federal government's decision regarding the application of estate and gift taxes in the farming area does not settle the matter so far as the provinces are concerned. Many provinces will need to increase their revenues and some may be reviewing the question of estate taxes. Merely because the federal government will have dropped estate taxes does not mean that the provinces will drop them with regard to individual enterprises.

• (3:20 p.m.)

I suggest that replacing the estate tax with a capital gains tax will, in a great majority of cases, mean additional taxes. Certainly, in the case of Alberta this will be so. Since 1964, I think, estate taxes have been returned to the individual in Alberta. Therefore, the capital gains tax will be a brand new tax affecting farm enterprises. I suggest that merely looking at the federal scene and federal funding with respect to taxation of these units is not good enough: we must make sure that there is not a double levy of tax on these farming units.

May I now talk about the $1,000 exemption provision on principal residences. Under the new bill, a farmer must be resident on the farm during each year for which he is to qualify for the $1,000 farm exemption. I can foresee problems in this area. A great many farmers in the southern part of my province, Alberta, and a great many in Saskatchewan are occupied principally in farming; that is to say, they do little else. Yet because of road conditions, weather conditions, the division of school boundaries, and so on, they are not able to stay on their farms all the time. That means that they cannot always maintain residence on the farm unit for 12 months of the year, every year.

I suggest that it should be possible for taxpayers who engage in farming to utilize the $1,000 option even though they do not reside on the farm. This would solve other difficulties. For instance, the son might use the farm as his home while both father and son worked on the farm. The $1,000 exemption should apply to the farm itself and should be connected with the residence in which the farmer lives. I think the $1,000 per annum provision should also take into account the sale of the principal residence. I say that because many farmers who retire may want to continue living in their homes on the farm. You often read of cases of a son taking over the farm and of a mother and father deciding to retire and live in the residence they occupied on the farm. I think it is important for us to reconsider this provision.

I think another concept related to farm financing should be reconsidered. It should be possible for a farmer to sell his land and reinvest the proceeds in another farm without incurring capital gains tax. Often the reorganization of a farming enterprise is vital. Farmers might review their operations and decide to consolidate—perhaps to go into a hog enterprise and undertake more building. A farmer may want to sell land and reinvest the money realized in buildings, equipment or some other type of operation. The provisions of the bill should make allowances for this.

A farmer should be able to realize his capital from his land and put it into other land, buildings or equipment without paying capital gains tax in the process. It may be useful to point out that at present extensive averaging is permitted with respect to capital gains in certain enterprises. The farmer should have the opportunity to reinvest his money in farming.

I now wish to talk about valuation day in the area of agriculture. Since the valuation is related to the nature of assets, I submit that the government should introduce a valuation year instead of a valuation day. I do not think that the grouping of assets in various categories merely for valuation day will work very well. Many factors have to be considered here, including the depreciated value and condition of assets, and so on. I think that the concept of valuation day relating to farming enterprises ought to be reviewed also.

I think that about 45 per cent of the income of Canadians goes in taxes which are paid to one of the three levels of government. It has been said—I forget by whom—that the power to tax is the power to destroy. When you see how the rate of taxation has crept up since income tax