

Income Tax

Mr. Chrétien: He has to remain in the same field. If he has a farm which he turns over and buys another farm, this provision can apply. If he is in a particular type of business and can roll-over in the same business, it applies. But he cannot move to another type of business; he must stay in the same field of operation.

Mr. Ritchie: Would moving from farming to a farm implement agency, which happens quite often, qualify?

Mr. Chrétien: In that specific case, the answer is no.

Mr. Ritchie: If a merchant sells his hardware store and goes into groceries, would this apply?

Mr. Chrétien: It is difficult to swallow hardware. It is not exactly the same type of business. I just wanted to bring a little humour to the very difficult task we are dealing with at this time.

Mr. Ritchie: Who will make the definition of what is a "like" business? Will an individual be able to get an advance ruling or some sort of indication on this? Obviously, there will be a great many cases that will be indefinite. I used the example of hardware and groceries, but there are many businesses that are much closer related. What about a person who sells his hardware store and purchases a general store which carries some hardware?

Mr. Chrétien: On the question of advance rulings, Mr. Chairman, the rulings are made by Revenue Canada. If a ruling is not acceptable to a taxpayer, he can appeal. That is the normal process. I doubt whether Revenue Canada would want to give an advance ruling in such a situation. I will try to find this out and get the information to the hon. member. It is an administrative decision, not a legislative one.

Mr. Ritchie: Mr. Chairman, we went through this with the white paper. It is a bone of contention. Often, if a person does not have the advantage of an advance ruling or some indication from the tax people, he will not go through with his plans. In many instances there is no assurance. A grain farmer may buy a feed lot. Obviously, there is as much difference there as between a hardware store and a general store. Unless Revenue Canada defines the rules and lays down guidelines, this legislation will lose a lot of value.

Mr. Chrétien: I do not think so, Mr. Chairman. If everyone were entitled to an advance ruling, it would complicate the life of Revenue Canada tremendously. Even before an individual seeks advice from his lawyer or accountant on a transaction, the officials of Revenue Canada would have to make a decision on the matter. The usual procedure is that we pass the law, Revenue Canada issues some circulars informing the public and gives as much explanation as possible. From then on it is up to the individual and his advisers to decide if it is a proper course. If we were to burden Revenue Canada even more by having to make a series of advance rulings, it would increase fantastically the amount of bureaucracy in that department.

Mr. Stevens: The present minister could never handle it.

Mr. Chrétien: No minister can handle every aspect of his department, including the minister of national revenue of the day.

Mr. Stevens: Especially this one.

Mr. Ritchie: I have been involved in one or two farm assessments of capital gains on farm sales. I think the department is usually wrong in the principle it applies to the rule. The departmental officials I have dealt with do not know much about farming.

An hon. Member: Especially in Saskatchewan.

Mr. Chrétien: I would like to inform the hon. member that the adviser here with me is the son of a farmer from Saskatchewan. He decided to quit the farm and work with the Department of Finance.

Mr. Ritchie: He is a smart fellow; he has come to where the gravy is, the federal civil service. No more milking cows for him. Unless the capital gains tax is applied fairly, it will be a serious problem when changing businesses. The tax accountants can advise you. In Winnipeg, where I have my dealings, there is no rhyme or reason in relation to fact. What is done at one time will be contradicted at another time.

In the white paper on taxation we were told how the problem of capital gains went on and on in the United Kingdom. A way was usually found to get around the government. It is a real problem. The minister must simplify the definition and the guidelines so that an individual will know what to expect. I agree that the department cannot be absolutely sure about any given situation. However, there must be some way in which the department can indicate whether a certain situation qualify under the rules. If not, it is a difficult problem for the taxpayer.

The definition of "like" business is also a real problem. If it is too narrow, all cases will be turned down. If it is too wide, almost every business will escape the net. How the word "like" is defined is very crucial to this piece of legislation when dealing with farms. As this is only a postponement of the tax, I presume there is no reason why the individual taxpayer cannot pay his tax when he makes the change, or if he sells his business, even though he may buy a like business.

● (1612)

Mr. Chrétien: Would you repeat the question, please?

Mr. Ritchie: If the individual decides to pay his tax at the time he makes the roll-over—which is what a smart person would do—will he have the privilege to do so?

Mr. Chrétien: Mr. Chairman, we are always very happy when someone is eager to pay taxes, yes.

Mr. Ritchie: Is recovered depreciation charged as a full tax liability, as opposed to capital gains which are only half?