

*Income Tax*

period is quite useful because in those three years land values increased at a very rapid rate.

Our proposal is slightly different. We think it provides some equity among taxpayers at all levels. We are proposing that there be a special exemption for farmers from the first \$100,000 of capital gains tax. We argue that this is equitable because farmers generally do not have residences which can be classed as being free from capital gains tax, unlike most other individuals in society who own homes and can accumulate capital gains from the time they were purchased to the time of their sale for their old age. If they want to retire into apartments or retirement homes, they can pocket all the capital gains which accrue. But most farmers live on their farms and the problem is that the market value of their farms usually does not vary—sometimes not one iota—whether or not there is a house on the land. What is being sold is the productive assets—the land and to some extent the buildings, if it is a factory-type operation. The house itself has very little value in the transaction, so there is no real accrued capital gain which can be set aside for farmers. We are proposing a \$100,000 tax exemption from capital gains in recognition of the fact that houses on farms are usually of very little value on the market.

**An Hon. Member:** They are exempt anyway.

**Mr. Althouse:** I hear my hon. friend. I admitted that before I began my dissertation. Had he been listening, he would have known that I was pointing out that even though the houses are exempt, they are of very little market value when the land is sold. Those who live in Ottawa should check land values and asking prices in the Ottawa area. They will realize that once they get 20 miles or 30 miles out of Ottawa, parcels of 100 acres, whether or not there is a good house on them or no house, are worth very much the same amount of money. An exemption would give similar recognition to farm homes as given to houses in towns or cities.

From the time the first budget was presented and for the last year and a half, we have argued that the income averaging annuity contract should be reinstated. This provision allowed farmers to spread their taxes over a few years rather than having to pay a large lump sum up front to Revenue Canada as required under the Bill.

● (1210)

When the then Minister of Finance presented the initial taxation proposals, we had a number of individuals who were caught in the position of having sold their land, property or business on a five or ten-year repayment plan. They were caught in the position of having received a downpayment which they had put into a retirement home, but the sudden change in tax law forced them to sell that home and borrow money in order to put the money up front required by the changes proposed in this Bill, leaving them with nothing on which to live for a couple of years. However, some of that inequity was corrected in subsequent announcements.

It is still, we think, a necessary condition of the taxation law of this country, since it is so complex already, to leave the

income averaging annuity provision alone for those people who want to use it as a way of spreading income over subsequent years. We proposed an amendment to reinstate that provision.

In addition, we proposed amendments which would have reinstated the old reserve provisions. The former reserve provisions were popular in cases when a retiring farmer was selling to a person in a community, allowing cash up front. It helped the young person, and it helped the farmer spread out capital gains over a number of years.

These provisions have been drastically trimmed. Young people now must go to a bank or a trust company for more money because the person selling out has to have most of his cash up front. This forces buyers to go to lending institutions instead of dealing on a one-to-one basis with the farmer or the businessman and it is commercializing the transfer of property and assets from one generation to another to an extent that has not been common in Canada.

We were also proposing an amendment which would have restored the full capital cost allowance in the year of purchase. As you know, Mr. Speaker, that has now been cut to half in the first year of purchase. I suppose in an ideal world the proposal the Government made might have been sensible in so far as it would discourage unwise spending, which has got some farmers and some businessmen into trouble, I do admit. However, we are not in the kind of economy where everything is going well. People, including businessmen and farmers, are not spending very much money. This provision further inhibits the ability of farmers and small-business people to buy equipment, which, in turn, hurts the manufacturing industries.

While I am on this matter and before I conclude, I would like to point out that the farm machinery dealers across Canada have made very able presentations to Members of the House and to the Minister of Finance (Mr. Lalonde). They have pointed out that an investment tax credit, which now exists on new equipment, should be extended to used equipment and be restricted to the difference paid between the value of the purchased piece of equipment and the piece of equipment being traded in. These people have pointed out that there are tax benefits to the Government. Also it would provide some equity in terms of selling machinery and in terms of people who must, for financial reasons, buy used equipment.

I notice that my allotted time has come to an end and I will not be able to finish speaking about all the amendments we were proposing. May I say, however, that I regret the Clause by Clause stage did not progress through the House so that these very useful amendments could have been made in the proper fashion.

**Mr. Lorne Greenaway (Cariboo-Chilcotin):** Mr. Speaker, when I rose to speak to this Bill on February 21, I drew the attention of the House to the inequity of the present tax structure as it applies to those in the agricultural sector. In particular, Section 31 of the current Income Tax Act appears to have the potential of financially wiping out hundreds of thousands of farmers and ranchers across the country. Since I raised this issue on February 21, I have learned that Revenue