

• (2150)

If we in this House of Commons had as many changes to benefit the western producers and farm producers of this country, or if we had as many bills from this minister as we have had speeches, we would not be doing anything but dealing with farm legislation. Our farm legislation would be the best in this country. All we get from this minister is talk, talk, talk. We have had one lousy piece of legislation on crop insurance, and that was it. There have also been two changes with regard to the basic herd. The minister is very excited. He made two speeches in my constituency. No one will believe he is credible unless we see more than we have seen up to the present time.

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I wish to make a few brief points. I agree with those who referred to small farms. The passage of an amendment to pass on a small farm at death is really an example of tokenism. Very few farms are in the hands of the original owners at death, unless they are unfortunate enough to die in their forties or fifties before their families mature. Farmers now wish to sell their farms at the age of retirement, 65 or soon thereafter. They expect to use the money to live at a higher standard than in the past. For a farmer 70 or 75 years of age to have a son willing to take over the farm is most unusual. I think this aspect of the tax bill can only be considered as a token gesture. As a previous speaker mentioned, it is only possible to postpone the payment of capital gains. With the increase in the rate of inflation, it is logical that most farmers would want to pay the capital gains when the farm is passed on so that in the future they will not have an enormous bill to pay.

I would now like to deal with some aspects of small business. In my province there is an estate tax. All businesses are valued by either the federal government, from the point of view from assessing capital gains, or by the provincial government for estate taxes either on the basis of seven times the profits or the net assets value, whichever is higher. This creates a great problem. There is a long series of negotiations while the tax accountants and tax lawyers attempt to reduce the assessment by the government.

The problem is that both governments assess the business as though it were a pile of cash in the bank, or on the desk, from which they can take their share. However, it is not a pile of money; it is a going concern. With the death of the chief of the business, it is under poor management for some time. The small business is not able to protect itself against the death of the owner. If the owner is getting on in years, the premiums are very high. Often he is uninsurable. Although the insurance may be used to pay the income tax or estate tax, it is not deductible as a business expense.

Take the example of what will happen in the future for a small business in a province such as Manitoba that has both an estate tax and a federal capital gains tax. A small business with a gross value of \$500,000, not a large business by modern standards, would only employ about 10 to 12 persons. In then years' time, with inflation and some accrual, the business could be worth \$1 million. If the owner suddenly died, the business would be faced with a very severe problem—how to pay the capital gains tax.

Income Tax Act

Assuming the rate is 50 per cent, it would be \$125,000. There would also be an estate tax of approximately \$187,000. A company worth \$1 million would be faced with a tax bill of over \$300,000. The business management would be insecure and poorly oriented. Also, the management would be poorly trained. Even with six years to pay, there would be only one way to pay the \$300,000 bill. That would be to sell it as fast as possible, take their money and find another job.

This did happen to a company in Manitoba, a successful, family-owned oil company. They could do nothing but sell out. It was sold to a company that would be considered foreign-owned. There was no other option available. This has reference to the foreign ownership bill which is now before the committee. This is a very tangible problem. It will become even worse as the capital gains tax matures. Unless the provinces with estate taxes, and the federal government, come to some agreement this problem will increase in the future.

I wish to say a few words about partnerships. I have been told that with the taxation system for partnerships, it is almost impossible to sell out. They are not particularly onerous or unfair but they are so complicated that this method of doing business will not be as successful as it was in the past. A partnership is one of the best ways of carrying on a business. With those few words, Mr. Speaker, I conclude my remarks.

[*Translation*]

The Acting Speaker (Mr. Boulanger): Is the House ready for the question?

Mr. Roland Godin (Portneuf): Mr. Speaker, some members of our party would like to make a few remarks about the bill before the House, and I would like to call it ten o'clock.

The Acting Speaker (Mr. Boulanger): The Chair is aware that it is ten o'clock.

Mr. Comtois: On a point of order, Mr. Speaker.

The Acting Speaker (Mr. Boulanger): The hon. Parliamentary Secretary to the Minister of Finance on a point of order.

Mr. Comtois: Mr. Speaker, I thought all parties had agreed to approve second reading before ten o'clock this evening. If some members of the Social Credit Party of Canada wish to speak, I am sure they will have a chance to do so tomorrow in the committee of the whole.

Mr. Roland Godin (Portneuf): Mr. Speaker, I called it ten o'clock; a number of my constituents are having tax problems, and I intend to speak on their behalf tomorrow.