

Income Tax Act

Under the ARDA program an old man and an old woman who have no children are approached and offered a price for land which is often based on fair value. I am not opposed to the price that is paid under this plan but in some areas it is based on social considerations. If these people are not paid a fair price they will not be able to meet their costs of living and will go on welfare. One of the largest land owners in my area is the federal government. It owns much of the land in the area as a result of this kind of deal.

The Deputy Chairman: Order, please. I regret to interrupt the hon. member, but I must advise him that his time has expired.

Mr. Knowles (Winnipeg North Centre): Carry on.

The Deputy Chairman: Does the hon. member have the unanimous consent of the committee to continue his remarks?

Some hon. Members: Agreed.

Some hon. Members: No.

The Deputy Chairman: I am afraid the hon. member does not have unanimous consent; therefore, he may not continue.

Mr. Downey: Mr. Chairman, I am rather disappointed that members on the government side would not allow the hon. member for Timiskaming to conclude his remarks.

An hon. Member: We're not.

Mr. Peters: That's all right; I'll make the speech again tomorrow.

• (9:50 p.m.)

Mr. Downey: In respect of the amendment before us, when one looks at the special nature of the farming community it would seem essential that something be done for these people to ensure continuance of the farm unit. I do not know whether it should be exactly in the form of this amendment or through some other concepts. When one takes into consideration the importance of the agricultural industry to civilization through the centuries, I believe it is important that it be given special consideration.

This amendment, and I suggest some of the wording in the subamendment, would certainly assist in recognizing agriculture and placing it in a special position. Admittedly, there are some difficulties in making all farms completely free of capital gains tax. It is possible that some locked-in effect might accrue over the years in the accumulation of capital gains, but I would urge the minister to consider these amendments and the special nature of agriculture so that the people engaged in this field might be able to carry on in the same manner even though they are in difficult circumstances.

Certainly, if no recognition is given to the manner in which intergeneration transfers are made, farmers will be in difficult circumstances because there will never be funds available to even look after a deemed realization. I do not think the actual realization is a difficult situation when a farmer sells out, because he has the benefit of the income averaging concept. He can average his income

[Mr. Peters.]

over 15 years and I believe this will be very valuable to the farmer who sells a farm.

However, I would ask the parliamentary secretary, if the government is to go along with a suggestion in the brief presented by the stock breeders, to see if there is some way to bring in the income averaging concept on the deemed realization of intergeneration transfers. Perhaps a concept could be introduced to take the load of the deemed realization off the family farm and make it possible for these people to carry on without having their income adversely affected over a very short span of one or two years.

I believe it is unfortunate the minister has not seen fit to extend to the incorporated family farm the provisions granted individual farmers. These have become very important in the last few years. The fact that there is nothing to indicate that the provision in respect of the \$1,000 annual capital gains exemption is available to the incorporated family farm is, I believe, an oversight. When 80 per cent or 90 per cent of the income of a family farm incorporation comes from the sale of agricultural products, and when 80 per cent of the shares are held by the family, I believe the family farm corporation should be treated in the same manner as the individual farmer. I hope the minister will consider an amendment to rectify the situation in the days ahead.

If we are to have capital gains, it is vital that an inflation factor be built into this concept. Inflation will hit no one harder than those in the farming community. In many cases land values today are artificial. Certainly they are not realistic when one takes into consideration the productivity of the land. The prices of agricultural products are much the same today as they were 20 or 30 years ago. While production methods have increased, productivity costs have spiralled. I suggest that a great deal of the capital gain which would seem to be evident on farmland over the past 20 years has been largely due to an inflation factor and a lessening of the value of money. I believe it is disastrous to consider a capital gains tax without taking into consideration the factor of inflation.

May I call it ten o'clock?

Mr. Mahoney: Mr. Chairman, perhaps I might be permitted, on a point of order, to suggest what the menu might be for the next few days. Tomorrow we will resume the debate we were involved in last Wednesday on division I of part I. That is, returns, assessments, payment and appeals. Then we would proceed with division J, appeals to the Tax Review Board and the Federal Court. Following that we would deal with part XV, administration and enforcement, and part XVI, tax evasion. When we finish those tomorrow afternoon it would be the intention to return to this block of sections dealing with capital gains, and on Thursday and Friday we would proceed to sections 135, 136 and 137 dealing with co-operatives and credit unions. Without indicating the section numbers, it would then be the intention to proceed with international income next Monday and with the resource industries on Tuesday.

Progress reported.