

*Income Tax Act*

enough, but it is \$150 more than has been allowed by any government previously in office.

We have heard a good deal said about the estate tax. There is no estate tax. I think that arguments in this area should now be addressed to provincial legislatures because the tax has been abandoned by the federal government. I welcome the amendments which have been made. I do not object to them. I see a desirable flexibility in this kind of approach. Indeed, I hope the hon. member for Peace River (Mr. Baldwin) is correct in his prediction that many more amendments will be brought down in the new year. I hope the government will continue to react to situations in which changes are required, especially when it appears that inequity has arisen.

The government has proven the flexibility of its approach by the changes which were made after the white paper was introduced, the changes which it brought about as a result of representations from individual taxpayers, and the amendments introduced following representations in this House. I have in mind primarily in that respect the new provisions regarding credit unions. I think the hon. member for Essex (Mr. Whelan) had a great deal to do with this. He certainly put forward a good argument. The ears of the government were open and I give the Minister of Finance credit for listening to a good case on behalf of the credit unions and co-operatives.

I do not think the Canadian people are very impressed by the scare tactics adopted by the opposition, by predictions that small farmers will be forced to leave the land and that businessmen will be unable to operate. I believe that when the time comes for them to submit their tax returns and they see the refunds they will get, they will discount the scare tactics employed by spokesmen for the opposition parties.

**Mr. Baldwin:** I have news for you.

**An hon. Member:** Bad news. It usually is.

**Mr. Cullen:** I am aware of the opinion held by opposition parties. I have considered the amendment in the name of the hon. member for Edmonton West (Mr. Lambert) and I think it is a great step backward rather than forward. The reforms put forward in this legislation will make the tax system more equitable than it ever has been. The bill has been debated ad nauseam. Its contents have been before us since 1962. Surely this is not the time to talk about splitting the bill, taking a giant step backward, as the hon. member for Edmonton West would have us do. Let us, rather, as my hon. friend the Minister of Transport (Mr. Jamieson) said, get on with the job.

**Mr. Gordon Ritchie (Dauphin):** Mr. Speaker, at the outset I should like to ask the parliamentary secretary two questions. The first relates to the basic herd provision. As I understand this legislation, when a farmer disposes of his herd the only recourse open to him under averaging, assuming he is not using the accrued income system or has not previously owned a basic herd, would be the general average under the five-year averaging provision. If the legislation were in effect now, for example, and a farmer's last averaging block was 1966-1970 and he were to dispose of his herd in 1971, this year, he would be obliged to pay the full income tax in this year, assuming

he did not own a basic herd previously or was not on an accrual basis. He would have to pay full tax as though he has earned \$30,000 in the one year. I believe there would be no forward averaging provision open to him. I leave that question with the parliamentary secretary.

My second question is: In buying forward-averaging annuities, as farmers and others will be able to do, as capital gains it is mentioned you can buy them through registered provincial companies. However, there is no assurance that these retirement or forward-averaging annuities would not be discounted by the companies dealing in them. There is no provision for this, to my knowledge. I raise this question on the assumption that there may be so much money available to annuity companies that they would not be able to take it up. As a matter of interest, I should like to ask the parliamentary secretary what these forward-averaging annuity companies may invest in. It seems to me they are largely involved in buying government bonds, so in effect this is a system whereby the government will have the use of their money until such time as it is recovered in taxation from the net income of the recipient. There is nothing in this bill which helps the farming community.

May I call it six o'clock?

At six o'clock the House took recess.

**AFTER RECESS**

The House resumed at 8 p.m.

**Mr. Ritchie:** Mr. Speaker, when we adjourned for dinner I was speaking of the effect this tax bill will have on the farming industry. I see nothing in the bill but provisions to make agriculture more difficult to finance and more difficult for farmers to carry on farming. I base this statement on the fact that practically none of the provisions of Bill C-259 materially improves the income of farmers.

The only farmers who might derive some help from the bill are the low income farmers, since the new income tax exemptions will be more generous than they were. However, since the government is intending to phase out the small, marginal farmers I cannot see how these so-called goodies in the form of increased exemptions will be of particular value to them.

There are three or four sections of the bill that bear upon the agricultural industry. One of them is the introduction of the capital gains tax on farmlands. Another is the phasing out of straight line depreciation on farm machinery. A third is the basic herd concept, which at the moment applies only to cattle but could embrace other livestock such as pigs, animals used for fur farming, and other branches of the industry requiring the build-up of a substantial number of animals over a period of years. From what has been said in this House, it does not require great thought to come to the conclusion that the agricultural industry is in a serious position. It is in a state of great flux and nothing this tax bill does assists the situation.

In its release dated November 30, 1970, the Canadian Federation of Agriculture revealed some figures on farm