and, I presume, in Manitoba. However, even now on the prairies this is becoming more and more a factor. Finally, there is the insidious impact of inflation, the most important reason, and this includes the substantial amount of non-agricultural financing invested in our farmlands as a hedge against inflation. I think this is by far the most important reason why we have seen land values increase so dramatically. A combination of these three major factors has caused farmland values to increase anywhere from two to four and a half times, going back seven years, or since the advent of the capital gains tax.

In all three case histories the best available accountants, tax experts, and estate planners were employed for their expert advice by the respective families. The transfer of shares in a family farm company to a son in the event of a death of course results in an immediate realization of capital gains. Tax payments can be spread over several years, but the tax cannot be avoided; hence the increasing number of forced sales, such as that first case history to which I referred, to satisfy the capital gains tax.

While these remarks have all related to incorporated family farm situations, the same can be said for incorporated small family businesses of a non-farm nature. However, we should keep in mind that the capital needs in agriculture as a ratio of gross and net income are much higher than in other small business pursuits, indicating a disproportionate need for a tax roll-over provision for the corporate family farm. This is fully documented in a report of the Food Prices Review Board of March, 1975. This particular report shows that the investment ratio to gross domestic product in agriculture is well over twice as large as the same ratio in manufacturing. The report also finds that investment in land and buildings of Canadian farmers constitutes 70 per cent of the total capital value per farm.

● (2207)

I want now to go back to that earlier reference to the debate on the income tax amendments almost three years ago during Mr. Turner's period as Minister of Finance. I refer to *Hansard* of February 18, 1975, and also to the proceedings of the committee of the whole. In response to my arguments favouring roll-over provisions for incorporated family farms and partnerships, Mr. Turner had this to say as reported at page 3331:

> We were concerned about persuading more people to stay on the land and produce food. We recognized the difficulty in respect of a family farm in the current economic structure, and we eliminated the capital gains tax on the transformation of a family farm from one generation to another as long as the land remains in agricultural use. The difficulty is that since the land is so illiquid, the payment of capital gains tax on the value of the land is very difficult, particularly in those areas of the country where there might be an artificial effect as a result of suburban sprawl. In this event the land is drawn out of agricultural production because the children cannot raise the money to pay the tax on the death of the father or mother, and it is the land, that is liquidated.
>
> In the case of an incorporated farm there is not that type of liquidity because the shares, by reason of estate planning, can be transmitted over a period of time within the lifetime of the father and mother, and the same problem of liquidity does not arise.

[Mr. Hargrave.]

A little later he said:

> On the question raised by the hon. member for Medicine Hat, there is very little logic in segregating the incorporated family farm as a business from any other incorporated business in the country—of which there are hundreds of thousands—so that in fairness, if one were to allow capital gains, free transmission from one generation to another in an incorporated family farm, there would be little argument for resisting that transmission on a tax free basis from one generation to another in any incorporated family business.

With respect to Mr. Turner's last point about the inclusion of any—that means all—incorporated family business for the roll-over provision, I say most emphatically, why not? If ever there was a time in our history when small family style businesses of all kinds needed a shot in the arm it is certainly now when there is such widespread concern over the state of our economy. There is no question we are in a prolonged recession; it is just a matter of definition as to how serious it is. Small family businesses are the backbone of our Canadian way of life. If Britain's strength during the war was part and parcel of being a nation of shopkeepers, then Canada's strength and future relate directly to our private enterprise system and incentive for the small family business. They must have a sure future, including a reasonable process to continue that business, especially as an incorporated family business.

Mr. Turner's comments suggest that a liquidity problem would not exist with estate planning, that is, for incorporated family farms. This is simply not so, and I have already advanced some solid reasons for that. While it is possible for some kinds of estate freezing plans to defer taxes on capital gains until the death of the father, absolute avoidance is, of course, impossible, particularly where the rate of appreciation in value is considerable, which is certainly so now under our continued severe inflation.

● (2212)

Mr. Turner was concerned also about adequately defining a family farm corporation. There are a variety of definitions readily available. I should like to remind the House of three such sources: first, the federal government's Farm Credit Act which defines a family corporation; second, the Ontario government's gift tax act and succession duty act; and third, the British Columbia succession duty act. It should be noted the two Ontario definitions make no distinction between farming corporations and other small business corporations, and further, Ontario recognizes as an adequate definition of a small business the definition provided in section 125 of the Income Tax Act.

To conclude these remarks about capital gains and intergenerational roll-over for incorporated family businesses and partnerships, surely it is obvious some of our tax laws must be modified or changed. Seven years after valuation day and the Carter Commission, surely it is time to recognize what disasters are built into our tax structure and are only now becoming obvious because of the ravages of inflation.

Let us take a look at what can be done in this regard. First, I suggest the easiest, most important and basic solution is to allow the same roll-over provisions for incorporated family farms and partnerships as for the individual units now pro-