that $60,000 means an additional $30,000 taxable. Therefore, tax must be paid on $50,000. The tax is very high. It is $25,000. What is happening is that the Government moves in and takes that person's quarter section of land. The farmer finds himself in a position where he cannot retire. What did the former Minister of Finance, the Member for Cape Breton Highlands-Canso (Mr. MacEachen) do for the farmer?

I receive call after call from farmers who have built up a small herd of cattle and want to roll over their land to the son. They want to sell the cattle and retire on the income they receive. That was the only retirement savings plan the farmer had.

I received a call from a farmer in a small town north of where I live. He said "Len, what do I do? I have hired the auctioneer. I have made arrangements over 20 years to build up a retirement plan and the Government is putting me right out of business. What should I do? Should I cancel the auctioneer? Should I send out notices saying that the sale is cancelled?" There must be some long-term planning if businessmen in this country are to be productive. I ask that the Government and the Department look into this very seriously and change some of these directions which have such a massive effect on our economy.

● (1640)

Mr. Vic Althouse (Humboldt-Lake Centre): Mr. Speaker, I would like to address the changes to the Income Tax Act brought in with Bill C-139. These changes have accumulated because of the several budgets and financial statements presented to this House since November, 1981. In effect, it is a catching up of old business which has been before this House for more than two years. I want to discuss a few of the things in this Bill which will affect taxpayers in my riding and, to quite an extent, taxpayers right across the country. Because my riding is generally a rural riding, I want to deal with a couple of items which affect farmers as well as a great many small-businessmen.

First of all, one of the major changes proposed in the November budget was the elimination of the income averaging annuity contract, to be replaced by a system of forward averaging. As a result of the initial budget there were a great many people across Canada, small-businessmen and farmers, caught in the unhappy position of being suddenly forced to pay tax on the total sale price of their farm or small business even though the purchase price was being paid over time. A great many of these people found themselves in the position of owing more money to the tax Department than they had received as a down payment for the farm or business. Some of those provisions were changed in subsequent announcements. I was pleased to see that, because I had risen in this House in December, 1980 to point out in some detail the kinds of problems being created for farmers in my part of the country, and in eastern Canada as well, by that particular change. I think the forward averaging proposal deals in part with the difficulty, but I have great difficulty in understanding why it has to be an "either or" kind of proposal. I do not see why people who already had an IAAC could not continue, or those considering selling out could not use that method if they were more comfortable with it instead of going into the forward averaging method proposed in this Bill.

Another item which people will become aware of, if they are not already, when they do their income tax is the change to the capital cost allowance. As anyone who has started to fill out his income tax for us already knows, any equipment, farm or otherwise, bought in 1982 is eligible for only a 15 per cent capital cost allowance, rather than 30 per cent. This has created a great many problems, not only for farmers in my area but for machinery dealers as well. Farm equipment is still being sold, farmers still have to buy, because equipment does wear out. However, the tax incentives have been considerably lessened with the halving of the capital cost allowance in the first year. Granted, new machinery is still eligible for the machinery tax credit, which has the same effect as pre-paying your income tax, so to speak. That in itself has got the attention of a great many people in rural Canada. Farm machinery dealers from across Canada were lobbying just two months ago in Ottawa, asking the Government to make that investment tax credit available on the difference between the value of the new machine and the value of the old machine, and have it apply to used machinery as well as to new machinery. They made a very persuasive argument, which I hope the Minister of Finance (Mr. Lalonde) will have noted. The proposal is more equitable and provides some assistance to people who are dealing in farm machinery. It will make it easier for them to sell the used equipment taken in trade.

The one major omission in this Bill has been alluded to several times today in the House, that is, the lack of any changes to the capital gains tax as it affects farmers and small-businessmen. In spite of the fact this Government was elected on a promise—one of the few made with regard to agriculture—to change the capital gains tax and move the valuation day from the end of 1971 to the end of 1974 and index it thereafter, we have not seen it in this budget. Perhaps the next budget this Government offers will deal effectively with the program as promised. However, we think that does not go far enough. We think there is a great deal to be said for an exemption for the first $100,000 of capital gains. As is done in the Province of Saskatchewan under the NDP, this would put farmers and small-businessmen on a comparable basis to home owners in large cities. They would have an equivalent amount of tax-free retirement income, so to speak, just as people in large cities who retire have the home they have paid for during their lifetime free of tax so they can sell it and move into an apartment in their retirement years. We think that should apply to farmers and small-businessmen as well.

Looking at the over-all proposal before us, we note, as will all taxpayers if they use their calculators when they receive their pre-printed tax forms, that the indexing of the spousal and child exemptions will be at 6 and 5 per cent instead of the real rate of inflation. They will also note when they start looking at the tax tables that for the bulk of people in my constituency, as is the case across Canada, who have taxable