

Income Tax Act

mula, and it could effectively add about one additional percentage point to the level of tax.

There are a number of differences, Mr. Chairman, between what is regarded as a capital gain in Canada and what is so regarded in the United States. To some extent this is just a reflection of modifications made in the Canadian tax system from time to time to meet our own particular needs. For example, if I may refer to an industry that concerns people coming from the province of Alberta, in 1962, on the instigation of the government then in office, Parliament passed legislation the effect of which was to include the proceeds of oil properties in income and, at the same time, to permit the immediate deductibility of the cost of oil properties. That, of course, is precisely what is suggested with respect to the acquisition of breeding stock, and so on, after January 1, 1972.

Mr. Danforth: Mr. Chairman, this matter is of such vital importance to the Canadian agricultural industry that we must, if we are to represent farmers across this country adequately, deal in much greater detail with the matter we are considering. The parliamentary secretary has admitted that this bill is designed to phase out progressively the basic herd concept. That shows what the government thinks about that particular aspect of farming and demonstrates the government's attitude toward the entire farming business. I therefore wish to direct some questions to the parliamentary secretary and to the Minister of Finance. The officials sitting in front of them may be able to help with the answers.

Would the parliamentary secretary or the minister tell us the basic philosophy behind the government's approach to taxation in the farming field? Has the government considered that the farming industry is not in the same category as other corporations and businesses across this country? We are not just dealing with some type of business; we are dealing with an industry whose peculiarities have been recognized by various governments throughout our history.

Without doubt, in attempting to revise the tax system the government has made a strong attempt, as is evident by the instructions given to those who drafted this bill, to plug loopholes. Some of our larger corporations took advantage of the admitted weaknesses in the old act and, by hiring able accountants and good corporation lawyers, were able to evade certain taxes. Without doubt, many millions of dollars that should have been paid as taxes were not paid and were siphoned off for the benefit of these corporations through various loopholes in the old legislation. Having read some parts of this bill, there is no doubt in my mind that the government has tried deliberately and meticulously to close many of these loopholes. I do not quarrel with that. I think that is good and sound.

In bringing forward this basic revision of the tax structure I do not doubt that the government felt, as do the majority of people generally in Canada, that if the tax system were made fairer, if everyone paid his share of taxes, there could be a general reduction in tax rates. The government felt, in other words, that those who were least able to pay would pay less tax and that in Canada we should adopt a tax system that would be workable, plausible and acceptable. However, in their zeal to make this possible and to follow this prescribed and commendable

path they failed, I think, to consider the vagaries of the agricultural industry. They failed to realize that basic principles applying to business corporations and larger industries do not apply to the same degree to smaller businesses and to farming. That is why we are so incensed at what seems to be a deliberate attempt on the part of the government to put through legislation that could adversely affect the livelihood of farmers in Canada.

My colleague has spoken about the fact that we must compete in the North American market. This market is vital for the Canadian agricultural industry. Since the industry can sell in Canada to only about 20 million customers, the industry must export a great deal in order to survive. The very nature of agriculture today makes it imperative for Canadian farmers to employ the very latest methods, the latest implements and the latest scientific techniques. All these are very costly to employ, and if the market is small our farmers cannot use these new techniques because the per unit production cost will be too high. On the other hand, if 30 per cent or more of our cattle production and agricultural production in general can be exported to international markets, Canadian farmers can survive because per unit costs of production will be lower and there will be some chance for profits. If the tax advantage that agriculture has enjoyed in the past is tampered with, if the tax position of agriculture is made less attractive under the provisions of the bill we are considering, as I suspect is happening, the position of agriculture will be precarious indeed.

So I return to my opening statement and ask the government to tell us, before hard and fast positions are reached from which it will be almost impossible to deviate, what the government's basic philosophy is in its approach to the taxation of agriculture. Is the government aware that by removing the basic herd concept it will be destroying the incentive in the future for people to take up that kind of farming? Is it aware that the capital gains tax will make it almost impossible for farms to be handed down from generation to generation? Is it aware that the very nature of farming, and especially the very nature of live-stock raising, is not simply a one-generation process? It is not like selling shares, obtaining a sum of money, building a factory and being in business in a matter of months. Building up the basic herd concept with specialized breeding stock sometimes takes two or three generations. In many instances today it is the grandfather who takes pride in the output of a grandson. It is not something that has been developed over the course of two or three years. I wonder whether the government is aware of this.

• (11:50 a.m.)

Something that has troubled me greatly—I wonder too whether the government is aware of this—is the ramifications, especially where the agricultural industry is concerned, if this legislation is passed and the provincial governments are not sensitive to the provisions of this legislation with regard to agriculture. What happens if this taxation of farmers is only a small part of the entire package and farmers and farm businesses are faced with additional estate and income taxes imposed at the provincial level? These are questions to which we must have answers before we are prepared to pass these sections of the bill.