

*Taxation Reform*

tions conclude by expressing alarm that because of vested interests some Canadians may create sizeable obstacles to the implementation of the proposals of the white paper. I, therefore, wish to say clearly that I am in favour of most of the proposals contained in the white paper.

Recently I received a letter which was rather vehement on the subject. It was not written by one of my constituents. It concluded by saying that its author was completely opposed to the white paper. It seems to me that since the white paper is structured on the thesis that the tax burden should be distributed on the basis of ability to pay, if you are completely opposed to the white paper you obviously think that the tax burden ought to be distributed on the basis of inability to pay—which is utter nonsense. I, therefore, took time to write to this person, even though he was not a constituent of mine, and explain some of my views.

Of course, merely because something is essentially good in its broad sweep does not mean that it will be good in every detail. So far as I am concerned, there are at least two issues which ought to be carefully reconsidered. We are told that the tax reforms will affect small businesses. Some people say, and they assume they are correct, that if the proposals are accepted they will penalize small businesses. That is not true. From my reading of the white paper it seems that some special privileges small businesses have enjoyed hitherto will be removed. To that extent, small businesses will lose the privileged position in our society that they have held. This only means that small businessmen will be treated as all other citizens of Canada are treated. That concept on the surface is laudable, and we ought to support it. Of course, there is a counter-argument to the effect that our small businessmen should not be considered in the same light as ordinary citizens because small businessmen tend to create employment. They take capital risks personally, and by taking those capital risks create employment for people who do not have to take similar capital risks. There may be merit to that argument and perhaps small businessmen should be given special consideration. Yet, certainly, they should not be treated as a species of humanity completely above other Canadians.

There is another issue that I think ought to be considered. I do not think it has been mentioned in the House so far in this

[Mr. McBride.]

debate. It concerns capital gains. It is worth noting that if a Canadian citizen owns a home, he is to be allowed an exemption of \$1,000 a year to cover the increasing value of his property plus a further basic exemption of \$150 to cover repairs. His basic exemption, therefore, is \$1,150 a year. If his house increases in value to a greater extent in any one year, the homeowner may become liable to capital gains tax. In other words, the residence must increase in value at a rate exceeding \$1,150 a year before the homeowner may be said to realize a capital gain. I do not wish to consider how this provision affects those people who live in our towns or villages. I wonder very seriously, though, if we ought to have a rule like this applied to farmers.

For instance, if a farmer in Ontario owns a 100-acre farm, it would have to increase in value at a rate exceeding \$1,150 a year before he would realize a capital gain. This applies of course to the farmer who resides on his farm. But if that farmer who lives in Ontario—and my illustration applies especially to eastern Ontario—wishes to expand his enterprise and purchase three or four additional farms, what is his position then? Let us assume the farmer continues living in his residence, since he must live somewhere. If he adds to his basic unit two or three other farm units of 100 acres, he may own upwards of 500 or 1,000 acres of land and still come under the provisions of the original rule. That is, he will be said to realize a capital gain if his extended farm unit rises in value at a rate exceeding \$1,150 a year. That is not right, and that aspect I submit deserves further study in committee. Of course, if my understanding of the subject is not accurate, then the entire issue ought to be clarified for the benefit of the Canadian people. I ask, should the large farm entrepreneur be treated on exactly the same basis as the fellow who lives in the village and earns his living by working somewhere else?

My main purpose in rising is to say that the reaction of my constituents has been overwhelmingly in favour of these proposals. Most of my constituents are very much in favour of seeing these kinds of reforms implemented. Most of them are very enthusiastic about those proposals which many hon. members on all sides of the House have alluded to very frequently. These proposals have my general support.