

Income Tax Act

I would like to argue to the minister that capital gains tax is really a misnomer in the farm industry at this point. In fact, it has become a tax on capital per se. The reason is that there was no indexing with respect to the value of farmland, so since 1971 the value of farm land has gone up, but the bulk of that increase has been the result of inflation. When we work the calculations out and apply even a modest inflation factor, the capital gains tax takes more than that and is actually biting into the capital per se. The reason is simply inflation. As a result of its policies and its borrowing internationally and through Canada Savings Bonds—in effect, turning on the printing press—the government has created more money than there are material goods, and the value of those goods has therefore gone up. Unfortunately, the bulk of that money, at least in the area with which I am familiar, has settled on land. It has not settled out on boats, cars or trucks necessarily. It has settled on land. Land which normally would sell for \$100 an acre in 1971 now sells at about \$600. This is just for ordinary dry land. Often it will cost \$1,000 an acre for irrigation land. The 1971 valuation date is too early. In 1971 land values in the west were at a low point. The 1974 value would actually be a much closer valuation to what the agricultural productivity of the land is because the other factor the minister needs to understand is that the price of land in the west is in no way related to its agricultural productivity.

● (2110)

If we applied the inflation factor to that, we would have it covered completely. So there are only two simple little moves which need to be made. While naturally I would like to have the capital gains tax taken off completely, the government could go a long way by advancing the VD value to 1974 and indexing the inflation factor from that date. What is happening is this: if I were a farmer who wanted to will my land to my son at the 1971 value, I could do that because we can get a tax roll-over. But the 1971 value would no longer produce enough money to permit me to retire in Lethbridge and buy a home there, because the inflated value in Lethbridge has gone up, and to have a nest-egg for my retirement. Second, if I want to transfer that farm to my son for, say, \$300 an acre when the VD value is \$100 an acre, that causes a problem because I could get from my son \$300 an acre which would give me enough money to buy my retirement house, and then we could elect, for tax purposes, to roll it over to his name at the 1971 value. That would mean, however, that he would ultimately have to pay the capital gains tax. But he is not going to buy that deal and he will say to me, "Dad, I've paid you \$300 an acre, how can you give me that land for \$100 an acre?" If I died the day after or if I had to sell it, my son would have to pay the capital gains tax. So we are locked into a dilemma.

The third situation which could arise is that I as a farmer might want to leave my farm to my son as an economical unit, but I had two other sons who had moved away to become politicians and I had a daughter who had married and was living somewhere else. How could I transfer the farm to my son at the 1971 value and still give my other children a fair share of my estate? It has become quite impossible. As a

result, people have been listing the land and selling it to the highest bidder. Often those are people with cash from the cities and industrial areas who wish to protect themselves from inflation. They are prepared to put their money into land with no thought of productivity. They just want to put their money into a safe place. As a solicitor in Lethbridge I did innumerable deals through my firm—

The Assistant Deputy Chairman: Order, please. I am sorry to interrupt the hon. member, but I have to advise him that his time has expired.

Mr. Blenkarn: Mr. Chairman, one of our major concerns with respect to this bill is its excessive complications. The hon. member for Lethbridge-Foothills has alluded to them. We have a bill here which adds enormous complications to an already very complicated Income Tax Act. It is the view of many of us that the tax reform measures proposed by the Carter commission which are now in our Income Tax Act of 1971 need complete reform. We would expect the minister to speak on this clause with respect to tax reform.

The bill before us is exceedingly complicated. Clause 12 amends section 12 of the Income Tax Act. Let me remind hon. members that section 12 reads:

There shall be included in computing the income of a taxpayer for a taxation year as income from a business or property such of the following amounts as are applicable:

And then it goes on with paragraph (a) right through to paragraph (o). This particular bill extends to paragraph (v) with one change after another. When an ordinary individual, or indeed a chartered accountant or a lawyer, is looking at this act, he must try to understand it. The act is now virtually incomprehensible to almost all except the most experienced. When looking at the problems of the ordinary taxpayer, the ordinary small businessman, we must realize that in this Income Tax Act we have created a horrendous problem. It is small wonder that a great number of people—some studies say nearly as many as 50 per cent of the population—who file income tax returns must receive some assistance in filling them out. But when you look at the complications contained in this act, you realize that a person whose source of income is in any way complicated may be required to hire not only one firm of chartered accountants but many. Indeed, they are faced with the problem that no matter how many experts they hire, they cannot in any way be assured that the experts understand the act.

I am only a country lawyer from Mississauga who has been involved for a considerable period of time in dealing with the corporate problems of many people and I want to say with absolute certainty that I have a very difficult time understanding this statute and understanding some of the complications that the minister has brought to us in Bill C-54.

Before I go into some of the problems in the few minutes allowed me, I will repeat what I said at second reading of this bill, namely, that the bill is an effort to bring into force in law some of the suggestions made in the November budget of 1978; to reinforce some of the defeated measures in the