

*Income Tax Act*

In that connection I was disturbed, Mr. Mahoney, when sitting in the Gallery on Tuesday afternoon I listened to the exchange between yourself and Mr. John Burton of Regina East pertaining to Mr. Burton's representation that a transitional period from cash to accrual accounting should be granted to farmers. I was astounded at your response. First of all to the effect that in view of the fact that farmers were not being forced to switch from cash to accrual accounting, there was therefore no need for a transitional period. Secondly, you argued that you had received no representations in this respect. I was deeply disturbed and confused at these remarks, Mr. Mahoney, because not many hours earlier we had discussed this very point with you in your office and I had the clear impression at that time that irregardless of whether you agreed with our recommendation in this respect you did fully understand the recommendation and the reason for which we made it. I therefore want to register with you our very great concern at this apparent inconsistency on your part and to urge you to bear our recommendations in mind as this legislation moves through the appropriate channels.

Well, Mr. Chairman, no doubt there has been further correspondence on this matter.

**Mr. Mahoney:** I rise on a point of order, Mr. Chairman. In view of the fact that Mr. Gracey supplied the hon. member with a copy of the letter he wrote me, perhaps he has supplied him with a copy of my answer. If so, I wonder if the hon. member would read it into the record also.

**Mr. Burton:** Mr. Chairman, Mr. Gracey did not supply me with the answer. I thought that the parliamentary secretary would have done this himself, because the copy of the letter I received made it quite clear that a copy was being sent to me. Therefore, the parliamentary secretary might have supplied me with a copy of his answer. I have no doubt there have been further discussions between Mr. Gracey and the parliamentary secretary. Indeed, there may have been some confusion. In checking the *Hansard* record, it would seem that there may have been some confusion between two points under discussion, namely, the matter of the transitional rules and the question of whether farmers could have both a cash accounting system for part of their operations and an accrual accounting system for the other part of their operations. There may have been some confusion there and I am prepared to acknowledge that on the basis of the record before us. But it seems to me that this evidence of misunderstanding demonstrates the need for further discussion on some of these questions.

It is my understanding that, in fact, this organization and some others have made representations that the government should allow the present system to continue in operation for a year until a new system could be worked out which would be more satisfactory to all concerned. This would appear to be a reasonable proposal. It does not mean that we would be accepting on a permanent basis, as part of the framework of this new law, the old approach to the basic herd, but certainly it would allow for a transitional period. I believe there is some justification for allowing the necessary time in which to work out a new plan that would be acceptable, and which would take into account the problems faced by some people.

There is just one matter I wish to raise which has to do with our proposals for taking into account some of the special problems faced by farmers with regard to the application of the capital gains tax. We in this party have made clear we are in favour of the basic principle of a

[Mr. Burton.]

capital gains tax. In fact, we feel the basic concept should have gone further than it has. We also recognize that for some groups in this country there are special problems which arise from the nature of the occupations in which they are engaged. More attention in respect of the application of this tax should be given to the problems of people operating essentially on a small business basis. This includes farmers as the largest single group in this category, if I am correct.

Thus, when this subject was before the Committee in the middle of November, I moved on behalf of the New Democratic Party an amendment to a Conservative proposal which it seems to me would be reasonable and would provide for the taking into account of some of the problems faced by farmers. In fact, there would be a provision whereby we could deal with the problems involved with transfers of land within the family, whether by sale or by legacy. Second, there would be a provision for a roll-over and, thirdly, there would be a provision in respect of farmers whose savings fund at the time of retirement is their farm. There would be some provision for this situation. I should like to ask the government whether it has, in fact, given any further consideration to the situation facing farmers as a result of the imposition of the capital gains tax and whether we might have some reason to hope for a response from the government by way of suitable amendments that would give adequate recognition to this special situation.

**Mr. Mazankowski:** Mr. Chairman, I am indeed delighted to participate in the debate on this aspect of the bill before us, particularly in the presence of so many distinguished members on the opposite side. It is even better than the question period. I hope this is an indication of the genuine concern hon. members have for this particular portion of the bill—

**An hon. Member:** There is not anyone on your front bench.

**Mr. Mazankowski:** I can look after you any time. If you want to stand up and make a speech, I would welcome your participation. On the other hand, if you are not prepared to speak perhaps you would sit back and listen because you might learn something.

I hope the presence of so many hon. members today is an indication of the fact that they are genuinely interested in this debate.

**The Assistant Deputy Chairman:** Order. I would ask hon. members to keep order, and let the hon. member who has the floor speak so that I can hear what he is saying.

**Mr. Mazankowski:** That you very much, Mr. Chairman. I would have thought that their line of behaviour would have been discussed at their latest caucus meeting. Nevertheless, I do hope that hon. members opposite will pay heed to the submissions that are made by members on this side of the House as they relate to the future of the agriculture industry and the impact that this measure will have.

• (2:40 p.m.)

There is no question in my mind that those who were responsible for the drafting of this bill were rather far