

Income Tax

of the representations and consider the matter again, though I do not think I can do anything at the moment.

Mr. Hargrave: A further comment with respect to the activities, first, of the cabinet committee of eight, the contingency committee which was set up under the chairmanship of the Minister of Agriculture: the Minister of Agriculture was among its members. This committee worked through the arm of a task force under the agency of the PFRA authorities whose headquarters are in Regina. As a result of representations made by myself and others about the suggestion of a tax deferral, a two-man survey team consisting of Mr. Herringer and Mr. Wiens, both of the Department of Regional Economic Expansion, was sent to assess the situation and, I suppose, to ascertain whether my representations were well-founded or not. Evidently, that survey team reported to headquarters in Regina that the reduction in cattle numbers, and especially the reduction in the number of cows, was no larger than the amount of reduction which takes place normally every fall.

I am amazed that Mr. Herringer, who was born and raised in Maple Creek, Saskatchewan—not far from my own ranch in the heart of the drought area—should make such a report. I do not believe he did. Anyway, the suggestion was made that the reduction in cattle numbers was a normal one. Believe me, Mr. Chairman, it was not. The cattle population in western Canada has been reduced dramatically, and it needs to be reduced still further. This is an exceptional situation which I think should be recognized in the taxation procedure which is to be followed.

Mr. Chrétien: I should like to make myself clear, Mr. Chairman. I did not say that the gentleman to whom the hon. member referred was the one who recommended that this proposal should not be accepted. I believe his report was referred back to the task force under the departments of agriculture and finance. The task force reported to my colleague, the Minister of Agriculture, and to my predecessor, that the situation did not call for a special amendment to the Income Tax Act. However, as I say, I take note of the hon. member's very eloquent representation and perhaps I will ask the Minister of Agriculture to take a look at the whole question, especially if the drought situation is likely to continue for some time.

Mr. Hargrave: One further short question, Mr. Chairman. I appreciate the indulgence of the Chair. I should like to ask the minister whether he would consider meeting with representatives of the cattlemen's organizations on the two points I addressed in my remarks during the second reading debate—the roll-over provision for family incorporated farms, and this matter of a tax deferral, because of circumstances connected with the drought, to apply within a specific drought area. I know representatives of the cattle industry are anxious to come here and will be prepared to present a more detailed explanation of their proposal.

Mr. Chrétien: The hon. member for Assiniboia has asked me the same thing, and I should like to agree. However, as the

[Mr. Chrétien.]

committee knows, I have been Minister of Finance for the last two months and I have spent every day of the last five weeks here in the House of Commons. My possibilities of meeting people have thereby become somewhat limited. Moreover, I do not want to go back to the debate we had earlier on this point. I should, however, like to find a date which might be suitable, and I will ask my staff to get in touch with the hon. member. If this cannot be arranged, I shall certainly make sure there is a meeting with my officials on this subject.

Mr. Hargrave: Thank you.

Mr. Ritchie: Mr. Chairman, as one who has studied the white paper and subsequent legislation, I should like to point out how bad this capital gains tax is, particularly as it is applied to individuals who are by no means wealthy—and, unfortunately, the tax often hits small family farms. The minister told us a few minutes ago that shares were relatively easy to turn over, meaning that large businesses have few problems in the area of the capital gains tax. The original idea of the capital gains tax was to catch the individual who bought a farm one year and sold it the next: the person who was making a business of it.

● (1602)

The suggestion we put forward was this: if a person who owned a piece of property for ten years sold it the first year, he would pay 90 per cent, but if he held it ten years there would be no tax. It would have been a much better approach to the problem than this. It has turned out to be confiscation of capital rather than tax on income.

Canada needs small entrepreneurs because of our large geographic area. Small businessmen and farmers I have talked with look upon capital gains as very important. What would be the effect of expanding a business? Would a person have to pay a higher capital gains tax if he disposed of it? We have the example of herds of cattle being liquidated because of weather conditions. After ten years of work and effort, this will probably be lost to the tax department. This is very discouraging to small businesses.

There are many small businesses with three or four employees. Rather than expanding as the government would like them to do, they stay with four, five or six employees. In this way, a small businessman can have a good living, take holidays or go fishing more often—something he could not do if he expanded his business to ten or twelve employees.

I was not quite sure what the minister said in his definition. I would like to ask him whether this applies to individuals. The minister mentioned something other than farming. Does the legislation apply to an unincorporated hardware merchant, blacksmith shop or machine shop?

Mr. Chrétien: The answer is yes.

Mr. Ritchie: If an individual goes from farming to keeping a store, will he be able to take advantage of this roll-over position?