

Income Tax Act

many Canadians. But he completely failed to do so. Consider the effect of the sales tax on building materials which go into a home. This is an expense which in practice is financed over a long period of time, and over the years it amounts to a great deal of money. The added cost is, in my view, a continuing inflationary factor. The government should have removed this tax, obtaining revenue from some other source if that was their preoccupation. The minister should have faced this issue squarely.

Again, the government should have addressed itself to solving some of the difficulties which beset agriculture. These can be measure by the average income of our farmers, which last year was in the neighbourhood of \$5,200. The average salary of civil servants was around \$8,100. Of course, we must bear in mind there are many people earning below the average income. Another measure of the difficulty facing agriculture is the fact that farmers have been leaving the land continuously for 25 years; since the last war, in fact. In the last five years we have been losing seven farmers every hour, day in and day out. This is the problem which results when farmers are disrupted and move from their surroundings. This situation adds fuel to the fire of inflation and the cost of housing in urban centres.

• (1530)

When considering these difficulties caused by disruption, one might expect the government to move in an effort to resolve the problem, perhaps by creating incentives to keep as many people as possible working the land. One must realize that every additional tax imposes an extra burden. When it comes to the question of capital gains tax, surely there should be an exception in respect of farms passed on from one generation to another. Surely we do not resolve these problems by imposing additional taxes.

We in the opposition have argued very strenuously against the imposition of additional taxes, particularly the imposition of capital gains tax. This government has ignored our arguments. However, since the last election it has realized it should do something about taxation. Rather than doing something constructive, the government has done a lot of window-dressing. It has given the public the impression that capital gains tax is being removed in respect of farms passing from father to son. Let me quote as follows from the highlights of the budget of Monday, February 19, 1973:

Family farms permitted to pass from generation to generation free of capital gains tax.

Can one blame the average farmer for believing that this is true, that there is no capital gains tax on a farm passed on from one generation to another? Let us look at the actual situation, which has been adequately stated in the House. One of the best speeches in this regard was made yesterday by the hon. member for Perth-Wilmot (Mr. Jarvis). He covered the subject thoroughly.

In view of the various interpretations of this legislation by accountants and lawyers within the department, we can well understand that there are complications in addition to those we all know. I suggest that a farmer will never see his land passed on to his son or daughter, as the case may be, because he must die before he can do so

without the imposition of taxation. What I am concerned about is the statement contained in the budget to the effect that the deferral will apply only if the land is being used for farming by the taxpayer or his children at the time of the taxpayer's death and if the land is left to a child who is residing in Canada. The point is that the land must be used by the taxpayer or his children at that particular time.

If you read page 6 of the notices of ways and means motions you will find this wording:

That where land in Canada owned by a taxpayer who died after 1971 was used in the business of farming by him, his spouse or any of his children immediately before the taxpayer's death, and upon his death is transferred or distributed to his child who was a resident of Canada immediately before the taxpayer's death, the taxpayer shall be deemed to have disposed of the land for proceeds of disposition equal to the adjusted cost base of the land immediately before his death and the child shall be deemed to have acquired the land for the same amount.

This implies there is no capital gains tax, but the fact is that many children are too old to farm and rent out the land. On many occasions farmers will rent the land as a means of supplementing a pension or other income; someone else may be doing the actual farming. That type of transfer will not be regarded as eligible for tax exemption. I do not believe the minister really wanted to deal with this matter fairly and squarely, but wanted to leave the impression that the problem was solved. At the same time, he wanted to make sure that almost everyone did not qualify for the exemption.

There are many instances where a farmer is living and would like to transfer the land to his son for the purpose of farming but the son is not able, for a number of reasons, to comply with the father's wish. The son may have children who do not wish to farm. He may be one of a number of sons, some of whom passed away before the father. This leaves the family in an awkward position. Also, the farmer's son may be too young to go into the business of farming, so the capital gains tax will be applicable. This is disadvantageous to the family farm operation.

We have heard a great deal in the last few days about the increasing cost of food. We must realize that every time taxes are imposed upon primary producers, the cost is passed on to the consumer. I remember buying a tractor 25 years ago for \$2,500 and a combine for about the same price. Today, this equipment costs in the neighbourhood of \$15,000. This all adds to the cost to the consumer. There is only one way the farmer can recover the increased cost of machinery, and that is by charging the consumer a higher price for his product.

We have heard about incentives. This is an area in which I disagree with the hon. member for Skeena. Surely we should be considering the opportunity for the government to do something for our farmers. Steps should be taken to reduce their over-all costs and thereby reduce the cost of food to the consumer.

I want to speak about one other aspect, that is, the method of valuation. I have directed several questions in this regard to the Minister of National Revenue (Mr. Stanbury). Similar questions were asked today. It has been suggested that valuation today would not be applicable at a future time. The minister said that you do not have to pay tax on the basis of valuation today. I suggest that as a