

Income Tax Act

tions there. I am pleased that that provision has been made in the past. I look forward to seeing the minister confirm that provision will be made in the future to give farmers the right to defer payments when passing property from father to son at the time of death.

• (3:50 p.m.)

Mr. Danforth: Mr. Chairman, I rise to support the contentions made by my colleague, the hon. member for Battle River, on this proposition of the reform of the tax structure, especially as it pertains to the farming industry and is dealt with in the sections we are now considering.

One only has to read the sections to immediately realize that those who are responsible for the drafting never had to deal very closely with farming as a business. I do not say this unkindly or in a critical or a derogatory manner, but basically to point out that in my view the provisions as set out in the bill before us deal in the main with companies and corporations. I should like to prove that, as a business, farming cannot be just coldly classified in the same categories as other corporate structures.

When it was intimated to the farming community that there would be a reform of the tax laws, I believe it was the concept among all farmers that if indeed there was a true reform of the tax structure to which Canadians are submitted, perhaps the various governments would be able to derive sufficient funds for the operation of their various enterprises so that, as a result, there would be a more equitable distribution of the tax load throughout the Canadian community. They thought that for the individual, whether he be a farmer, day labourer, businessman or professional, his tax load as a consequence would be either lighter or would not be progressively increased, as has been the case over the past few years. I think this was the basic belief of most Canadians when they were made aware of the fact that a very serious study had been undertaken by the professions under the instigation of this department to see whether there could be a revision of the tax act.

With the advent of the white paper, most of those engaged in the farming industry changed their views drastically. It then appeared to them that what the government meant by a revision was not based on the principle in which they believed, but rather a new formula designed to increase wherever possible the tax load carried by individuals and more specifically by corporations, businesses and the farming community as a whole. As we read through the provisions of this bill, there seems to be very little to abate this fear. The fear has grown to such proportions that many farm operators now feel that if the tax rates and tax formula are as prescribed, then under the economic climate they are faced with today it will be almost impossible for them to continue farming as a viable economic enterprise. They are so convinced that, unfortunately, many of the present day farmers are deliberately advising their heirs to seek other means of making a living rather than stay in the farming business. This is indeed unfortunate.

Those responsible for drafting the tax structure which we in Canada must use to finance our government undertakings should bear in mind that we are not trying to raise every available dollar that the community can possibly part with, sometimes at the expense of the very livelihood

[Mr. Howard (Okanagan Boundary).]

of those who are being taxed. This should not be the concept. I am not convinced this was the intent of the bill before us. However, as a result of the method used in drafting it and some of the regulations that will follow, I am very fearful that the end result will be exactly what we seek to avoid. Because of the tax burden, many businesses will have to be phased out. In the process, we will lose many of our large and up until now successful farm enterprises in Canada. In order to be competitive in today's very competitive world, these farming enterprises must have two things. They must have an incentive to compete internationally and a profit margin. Lacking either or both of those, farming in Canada will progressively degenerate. I am convinced there is no other way to go.

I think this thought was back of the briefs submitted by the Federation of Agriculture, the Canadian Cattlemen's Association and various other groups responsible to and having concern for the farmers of Canada. They did not attempt to present to the government a way to avoid income tax, but methods by which they would be assessed what they considered to be their fair tax load. They presented for government consideration ways and means which they felt would make it possible to contribute their fair share, but not at the expense of their livelihood or at the expense of the degeneration of their various businesses.

I am not sure that the government fully realizes that the present day tax load is almost all that the agricultural industry can bear. Sometimes farmers find they cannot bear it. There are too many "for sale" signs on farms today. Too many farmers are delinquent in their present day taxes, perhaps one, two or even three years. Too many farmers are facing foreclosure and bankruptcy under the present situation. Yet in the bill before us, the government proposes to change the method of taxation under the guise of a revision of the tax law. It is going to change the method of taxation in a deliberate manner so as to broaden the actual tax base faced by farmers.

There is no doubt in anyone's mind that once these regulations and the changes to the tax act come into force, farmers are going to have to pay more taxes. It is all very well for us as legislators to say that all are going to have to pay more taxes under this revised act, but it is serious when you consider that many who are going to be taxable have a way of passing on the increased taxes by adding them to the cost of the goods and services that they provide. A labourer can demand higher wages. A businessman can place a higher price on the goods and services he is selling. But a farmer is not in a position to do this, and with profit margins shrinking, the added cost which is proposed could make all the difference between a profit and a loss for many of our successful farms. I do not believe we can classify farming operations in the same category as corporations and businesses.

• (4:00 p.m.)

When we speak as farmers against the disappearance of the concept of a basic herd as a capital asset, we bear in mind other actions taken by the government. The government is willing to offer high rates of depreciation with respect to such assets as machinery. It is perfectly prepared to offer grandiose tax concessions to industries