

Income Tax Act

Mr. Gleave: Mr. Chairman, in view of the fact that the hon. member is Parliamentary Secretary to the Minister of Supply and Services I should like to ask whether he is stating government policy.

An hon. Member: Oh, grow up.

Mr. Otto: Mr. Chairman, the hon. gentleman has a very far reaching idea of what is the responsibility of a parliamentary secretary, especially this one.

An hon. Member: Tell him what it is.

Some hon. Members: Explain.

Mr. Otto: If I could tell you, Mr. Chairman, I would. It seems that there is a graduated scale of power, at the top of which I suspect is the deputy minister and at the bottom the parliamentary secretary. Below that, or possibly above that, is probably his secretary.

To get back to the subject, if I may, without expounding government policy, let me relate to the committee some of the concepts I have had over a period of years. I might say to the Parliamentary Secretary to the Minister of Finance that I have been a great champion of this reform measure. I still am. I sat on the committee when the present Minister of Finance was Minister of National Revenue. That was years ago. We went through all these things and at that time a capital gains tax in its true form seemed like a good idea. That was before the Nixon economics—and there is a difference.

We must have some sort of incentive. The one that is most acknowledged is an incentive for active participation in enterprise. That must be in the form of a return for risk. But that is not equity, and we know we must be very equitable and fair. In fact, the Carter report was based more on equity than on growth. We cannot afford this type of equity at the present time. The fact is that we have nothing to share except future poverty.

I wonder whether the minister and his parliamentary secretary would consider redefining "capital gain" so that we have a very accurate understanding of that phrase. In this concept there are two different things and we would not be doing a service to the country or to our economic position if we married them. If we give the same benefit to one who speculates and makes money in the form of capital gain, without putting in any effort whatsoever and without adding anything to the economy, as we give to the entrepreneur who has risked capital and has been active in an enterprise, producing and selling goods as well as employing men and women, then we are being equitable.

I suggest we do not have to be equitable in this sense, but that we should make a distinction between the two. We should make a distinction between passive and active capital gain. We should make a distinction between the people who invest in Canadian corporations that produce goods and employ men, thereby helping this nation, and those who invest in speculative corporations which do nothing except jack up the cost of goods and play havoc with the nation's economy. It is about time the government came to the conclusion that not everything should be treated in exactly the same way. There is a vast difference between various types of capital gains and they should be taxed at different levels.

Mr. Burton: Mr. Chairman, it is significant that a great deal of discussion on the capital gain portion of this bill has centred on farmlands and the manner in which capital gains will affect them. We have an amendment before us dealing with the taxation of capital gains on farmlands. This is significant because it reflects what is happening in our society and in governments.

Bill C-259 represents an effort by the government to put into law provisions concerning taxation on income. They are very elaborate and very thoroughly thought out. Provisions concerning corporations and corporate activity are thoroughly considered, but that is not the case when it comes to problems involving individuals and small businessmen. I think this is indicated by the capital gains tax. There has been too little understanding of the effect this will have on the individual and the small businessman in this country. These ordinary people are trying to carry on as best they can in the livelihood or occupation in which they are engaged, but they are finding it increasingly difficult because of lack of understanding and response by governments to their situation.

It must be recognized that special problems face farmers and the agricultural industry of Canada. Many farmers are in a very precarious economic situation. A number of factors have an adverse effect on the agricultural economy and the well-being of persons engaged in farming. One of the factors is the high level of investment required in carrying on a farming operation, not the least of which is the increasing cost of land. Farmers also must contend with low rates of return on investment and labour input. This is an acknowledged fact in the agricultural industry.

We must also consider the peculiar characteristics of the agricultural industry. This must be taken into account when we are considering proposals for a capital gains tax. The farmer makes a contribution to the capital growth of his farm through the unpaid labour he contributes to capital improvements on the farm. The farmer does not receive any return for that unpaid labour until he sells his farm. At that time he receives the hoped for return for the labour he contributed in terms of capital improvement.

• (8:30 p.m.)

We also must take into account the fact that land values are a very volatile component of the over-all picture of the farm capital structure, and that land values fluctuate upward and downward in respect of changing economic conditions. This also produces problems. In addition, we must take into account the fact that many of a farmer's assets also constitute a retirement fund. I think this factor also deserves consideration. The fact is that a farmer contributes his unpaid labour in the form of capital improvements on his farm. In many instances he also plows back much of the income he receives from farming into capital improvement and capital development.

Many representations were made when this matter was before the committee on Finance, Trade and Economic Affairs. The New Democratic Party members on that committee, the hon. member for Waterloo and myself, made public a minority report concerning the white paper proposals on taxation. We presented a number of proposals with regard to capital gains of farmers. Our report read as follows: