

# Hon. E. Benson Not Satisfied With Fight Against Inflation

TORONTO - "I am not satisfied with the fight against inflation," Hon. Edgar Benson, of Cobourg, Minister of Finance for Canada, told the annual meeting of Canadian Farm Writers Federation at Toronto on Sunday.

"It is having some effect, but it is not fair to assess the steps at this time," explained the speaker. "It will take a little more time."

"If they don't work," he continued, "this government is determined to get inflation under control. We hope the people will modify their demands."

Mr. Benson, who briefly explained his White Paper to the farm writers from across Canada, answered dozens of

questions thrown at him by the writers. His simple suggestion about "valuation day" was unchanged or reduced for a person write down a figure that he thinks each item he owns is worth. This should be kept for future reference.

When he was asked about putting the value too high, he reminded the farmer writers they may die some day.

The valuation figure "would only be used when the farm is sold to other persons, not when it is passed on to children."

A number of proposals would have an impact on farmers taxable under the present system. Like other taxpayers, some would pay more.

For those farmers who file taxable returns, it is estimated that taxes would be unchanged or reduced for about 70 percent, and increased for about 30 percent. As in the case of other taxpayers, much of the reduction comes from the increase in basic exemptions to \$1,400 from \$1,000 and to \$2,800 from \$2,000.

The proposal to include capital gains in income would affect a farmer under the following circumstances:

- (1) sale of a farm;
- (2) sale of livestock from a basic herd;
- (3) sale of a depreciable asset.

Farms now held would be valued on valuation day shortly before commencement of the new system and only the increase in value after that date would be taxable. The value on that day, rather than the original cost to the taxpayer, would be deducted from proceeds of a subsequent sale. The impact of the tax on disposal of a farm would also be mitigated by the following rules:

- (1) The special exemption for homes would apply to farms if the farmer's main residence is on his farm.
- (2) When a farm is transferred on the death of the owner, the tax would be postponed until a sale of the farm takes place, so that no tax would apply to a family farm until it is sold.
- (3) Where the proceeds are received gradually, say under a mortgage, the gain on the sale of a farm could be reported as payments are received.

The application of the exemption for homes may be shown in the following example:

An individual buys a farm in 1972 for \$100,000, lives on it and operates it for 10 years. He sells it in 1982 for \$125,000, retires and moves into an apartment. His taxable gain would be computed as follows:

Proceeds on sale of farm - \$125,000; Deduct: Original Cost \$100,000; Annual exemption of \$1,000 for 10 years - 10,000; Home improvement allowance of \$150 for 10 years - 1,500 = \$11,500; Taxable Gain - \$13,500.

If the farmer in the example retains ownership of the farm, and then leaves it for his son in his will, the tax would not apply at that time. Instead, the cost of the farm to the farmer together with any home exemptions he may have accumulated would carry over to become the cost for tax purposes to his son.

In other respects, the calculation of the operating income of a farm would be much the same as under the present tax system, since the cash basis would remain, and farmers could still use their present form of averaging.

For grain farmers, accrual accounting for inventory does not seem fair when marketing arrangements are beyond their control. For livestock farmers, accrual accounting would mean setting up inventory values on all livestock at the same time as the basic herd procedure is being removed. Under the cash basis, the costs of adding further livestock can be deducted immediately if the farmer wishes. It is possible longer of course that a farmer may still place an inventory value on livestock in order to reduce fluctuations in his income.

The averaging now available to farmers has been retained in recognition of the unpredictability of weather and market conditions. At the same time, there may be circumstances in which the farmer would find it advantageous to use the general form of averaging proposed for all taxpayers.

Other proposals may affect a few farmers in particular circumstances. For example, the changes proposed in the taxation of corporations could affect those farmers who have incorporated their farming business.

Where the corporation is owned by the farmer himself or by his family, the new going to college because I incorporate proposals are believed to put him on the must be well educated and same footing generally as if also because a college degree the business is unincorporated may give me the only chance incorporated. This would mean to get a start in farming."

that a farmer's tax liability would not be affected if he decides to incorporate his farm.

## On The Farm Front

Haldimand Milk Producers elected to the Region 7 Election Committee

recovery of earlier depreciation.

The taxation of capital gains would mean that all future gains on sale of depreciable assets would be taxable, subject to an exemption of the capital gain element in the value of the asset on valuation day.

Given this change, it would likely be advantageous for farmers to switch to the declining balance system. It is a simpler system, since the calculations are based on classes of assets rather than individual assets, and the depreciation rates are about double those allowed under the straight-line basis.

Though the rates are applied to the diminishing balance of unclaimed cost in each class, rather than to original cost, they permit higher allowances in the earlier years. Since profits on disposal would be deducted from the balance in the class, they would be taxed only gradually as a reduction of future allowances.

Others who feel that they could make arrangements with their neighbours are invited to let us know.

The following is quoted from the editorial page of the November issue of Successful Farming: - "I am 20 years old and a student at Colorado State University, majoring in agronomy."

My home is on a small ranch on the Western Slope of Colorado. I have always had the desire to farm and sincerely want to make that my occupation. All around me I see young people with the opportunity to work into a good family operation but instead they decide to move to the city or elsewhere to an eight-hour-a-day job and have the weekends free to play.

This is not what I am looking forward to. I realize that farming may not provide a large expensive home with a two-car garage. The big fallacy of our society is that money is happiness.

The biggest problem that I find in what experience I have had, is not that many farmers are afraid of running out of young people to take over but that many don't care.

Anyone engaged in agriculture is well aware of the high capital cost and investment required to enter farming.

Just how many retiring farmers and ranchers are willing to finance or in any way help a young person get started in agriculture? I am or by his family, the new going to college because I incorporate proposals are believed to put him on the must be well educated and same footing generally as if also because a college degree the business is unincorporated may give me the only chance incorporated. This would mean to get a start in farming."

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are Lloyd Bilton, Hagersville, Arthur Bradford, Harold Bradford, both of R.R. 1, Dunnville, Ross Gee, R.R. 1, Fisherville, Gordon Miller, R.R. 1 Jarvis, William T. Oster, R.R. 1 Cayuga, and Russell Smith, R.R. 1 Caledonia.

These producers along with their counterparts from Wentworth, Brant, Welland and Lincoln will meet on Nov. 25th to elect a director to the Ontario Milk Marketing Board.

A series of workshops on dairy cattle feeding will be conducted in community locations throughout Haldimand County this fall. Arrangements are being made by interested persons who expect that they can arrange for 12 or 15 participants in their neighbourhood.

So far Gordon Miller, R.R. 1 Jarvis, the Chairman of the County Milk Committee and Arthur Winger, R.R. 4, Hagersville, one of the committee members, have organized meetings in their neighbourhood.

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Loss \$3000 In Accident

A two-car collision six miles south of Simcoe caused an estimated \$3000 damage to cars driven by Lester Manton, of 28 Hillier Cr., Brantford, and Ernest Harmon, of R.R. 4 Simcoe. According to police, Manton lost control of his vehicle in the slushy conditions of the road and collided with the Harmon car. Damage to the Manton car was \$1000 and to the Harmon vehicle, \$2000.