

of handling capital and income, with growing animals and a wide variety of animals on a livestock farm, for example. Those are two points in addition to those you have mentioned.

Mr. STIKEMAN: On page 1 you also state that the provisions of the law should be extended to permit the carrying forward of losses as part of your averaging scheme. Do I understand that the present provisions in that connection, which were introduced two years ago I think, are still insufficient for your needs as representative of the farming community?

Mr. HANNAM: We did not refer directly to that carrying forward of losses, Mr. Stikeman. Our suggestion is for the averaging of income over a period of years. It is true that this carrying forward of losses meets our recommendation to a certain extent. But may I point this out? Nearly all Canadian agriculture is on the family unit basis—the small farm basis. We cannot list a wage for the farmer himself. He may work the longest hours, usually he does, but we cannot charge his wage to the operations of the farm. In other words, he has a loss entirely of his family living and his wages for the whole year before a loss is registered in his return. In Canada we give a married man a \$1,200 exemption; we say he is entitled to that exemption for his family living before we start to tax him. The farmer has to lose that whole \$1,200 before he begins to register any loss.

Mr. STIKEMAN: In the fifth paragraph of page 1 of your brief you state: "In this case, unless the farmer has a previous loss which he is allowed to carry forward, he is taxed heavily because his income may lift him into a high taxation bracket." I gather that that remark with respect to loss is merely part of the general scheme that you propound for the averaging of farming income, and does not refer necessarily to an enlargement of the present section.

Mr. HANNAM: No, we are making an exception there. If the carrying forward of losses applied, then the farmer's income may not be moved up into the higher tax brackets.

Mr. STIKEMAN: But under your proposed averaging of income, losses would be carried forward and backward, would they not, as a matter of automatic adjustment?

Mr. HANNAM: Right.

Mr. STIKEMAN: You have not suggested in this brief any period over which the averaging might be deducted.

Mr. HANNAM: We have inserted in brackets there "four."

Mr. STIKEMAN: Oh, yes.

Mr. HANNAM: The reason that we put it in brackets there is simply that we are not—

Hon. Mr. ASELTINE: It should be five years or more.

Mr. HANNAM: A little longer period is of course somewhat better than four. The reason that we inserted four years is that in our discussions the fruit men have always insisted that they would much prefer an even number of years because the good years alternate with the bad years so regularly in, for example, their apple crop. The five-year period has an advantage over the four. If, on the other hand, we have a moving average of some kind, then it makes less difference whether it should be a stated four or five years.

Mr. STIKEMAN: If you have your average period of four or five or more years, do you still require reserves for losses, or bad debts—for things other than the depreciation of your capital assets?

Mr. HANNAM: I am not sure that I understand your question, Mr. Stikeman.