

Advantages of Cash Basis Accounting and Tax Incentives

This and other papers put out by the Department of Finance have mentioned the many tax advantages that farmers have. There has also been the underlying threat by these officials to take the position that if farmers want to be treated like other businesses they would have to forfeit their existing tax advantages.

We believe, that now is the time to determine what the alleged advantages are that farmers have over other businesses and actually determine the real monetary differences, if any.

Rates of Return in Farming

The chart on page 11 of the Discussion Paper is difficult to understand. It is also not clear why the interest on indebtedness which now accounts for a large portion of many farmers expenses (\$672 million in 1976 climbing to \$2.2 billion in 1982) was not deducted as an expense.

Perhaps a better way to show the declining rate of return on farm investment is as follows:

Return on farm Capital Investment

	1951	1961	1976	1982
Land, buildings, implements machinery, livestock (million)	\$9,471	\$13,171	\$57,042	\$132,085
Net Farm Income (all farms)	1,571	1,226	3,226	3,806
Net Return on Investment	16%	9.3%	5.7%	2.8%

The figures for subsequent years will probably show a negative return on investment.