

BUSINESS AND PROPERTY INCOME

ITEM	OLD LAW	NEW BILL
Interest on money borrowed to buy shares		
Corporations	Corporations are not allowed to deduct interest on money borrowed to buy shares in other corporations.	Corporations will be allowed full deduction for this interest.
Individuals	Individuals are allowed to deduct interest on money borrowed to buy shares in corporations.	Full deduction of interest is continued for individuals.
Entertainment and related expenses	Deduction allowed for reasonable entertainment expenses, membership costs and similar expenses provided they are incurred to earn income.	No deduction for social and recreational club fees, or costs of yachts, fishing camps and other recreational facilities. Deduction for entertainment and conventions similar to old law, except for geographical restriction on conventions.
Farmers and fishermen Cash basis	Farmers and fishermen are entitled to compute their income on a cash basis.	No change.
Averaging	Farmers and fishermen are entitled to special income-averaging provisions.	No change.
Basic herd	Farmers are entitled to classify a herd of animals as a capital asset, "basic herd", and gains and losses are treated as capital gains and capital losses and are therefore tax-exempt.	Farmers will have an opportunity to establish a basic herd as at December 31, 1971. Basic herds will be valued on V-Day and any proceeds of disposal up to this value will be exempt from tax. Proceeds in excess of this value will be treated as farming income and eligible for the special forward averaging.
Straight-line depreciation	Farmers and fishermen may use straight-line depreciation instead of diminishing balance depreciation and thereby avoid recaptured depreciation. Gains on disposal of depreciable assets are treated as capital gains.	Straight-line depreciation phased out.
Hobby farmers	A taxpayer whose principal business is not farming may deduct only \$5,000 of farming loss annually from other income.	Similar to old law except that property taxes and interest which are not allowed as operating losses can reduce subsequent capital gains on sale of farm, but would not be allowed to create a capital loss.