

*Income Tax Act*

**Mr. Abbott:** One has to look at the definition of income from office or employment, and then section 11 is the section which outlines the various items that may be deducted from the gross amount.

**Mr. Fleming:** The class of person to whom the hon. member for Greenwood has referred, namely musicians, actors, radio artists and so on, have a very real problem. The minister may suggest that in the past they may not have had good advice with regard to their tax position, but I may tell him that their position has been taken up with the Department of National Revenue. If I am not mistaken there was a recent decision of the income tax appeal board dealing with expenses sought to be brought into their returns as deductions by persons in this category; and the view that has been taken by the Department of National Revenue as to proper deductions in the case of a musician or free lance artist such as those referred to has been very narrow indeed. If the minister will look into the files of the Department of National Revenue on this subject I think he will find that the interpretation that has been applied to outlays for the purpose of earning income in the case of persons of this category is extremely narrow. After having taken up the case with that department, and having had some correspondence about it, it seems to me such persons have a legitimate grievance. If the provisions of the act at present are so narrow that such persons are denied deductibility in the case of such expenses as have been referred to this afternoon, I think it is high time the act was amended and broadened to meet the legitimate exigencies of such cases.

Section agreed to.

On section 4—*If chief source of income not farming, etc.*

**Mr. Catherwood:** The explanatory note for this section reads:

The new subsection allows a deduction for one-half the loss incurred in farming, but not to exceed \$5,000, where farming is not the chief source of the taxpayer's income.

I presume this is intended to give some compensation to those who might be classed as gentlemen farmers. These citizens are a real asset to agriculture, and have rendered a real service to it. As a matter of interpretation, is depreciation on property allowed on the farm income?

**Mr. Abbott:** As the hon. member points out, this section is intended to give some measure of relief to those who may be colloquially known as gentlemen farmers, whose principal occupation is not farming. Again this confirms what was a practice over a great many years, during which the income tax

branch allowed 50 per cent of the cash losses incurred in this type of farming, secondary income; and by cash losses it meant without charging depreciation. It was a rule which, as it developed, probably was not strictly justified under the act. We had a great many representations that the practice which had existed for many years, I believe going back to the early twenties, should be maintained. It was felt that it would not be appropriate to do so without any limit, because some might run very elaborate farms with very large losses in fancy horses and that sort of thing. Probably it would not be fair to allow such losses without limit, so the present section was inserted fixing a limit of \$5,000. This means in effect that on the net cash basis, without allowance for depreciation, a man who has a cash loss of \$10,000 will have to stand \$5,000 of it himself and the other \$5,000 can be deducted from his other income. I agree with my hon. friend that this type of farming has proved beneficial to a great many parts of the country, and we had representations from agricultural associations asking us to maintain the practice which had been followed in previous years. That is the reason for this amendment.

**Mr. Fraser:** Does subsection 2 mean they can claim back to 1949?

**Mr. Abbott:** Yes. The previous practice to which I referred went up to 1949, which was the date of the introduction of the new act. We want to make the same practice carry on, so in this case the retroactivity of the legislation is beneficial. It is to carry forward the existing practice.

**Mr. Macdonnell (Greenwood):** I have ventured on one or two other bills to raise a question concerning legal verbiage, and I am going to do the same thing here. The note on the right-hand side of the page says:—where farming is not the chief source of the taxpayer's income.

I think I can understand that, but let me read the wording used to describe that in the act itself. I do not know what I would have thought that meant if it had not been for the clear statement we had from the other side:

Where a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income, his income for the year shall be deemed to be not less than his income from all sources other than farming (after application of the rule in subsection (1)) minus—

and so on. I do not want to speak in any cheaply critical way of people who have to draft legislation, because I am sure it is very difficult.

[Mr. Macdonnell (Greenwood).]