

2. *Deductions of Tax From Farm Workers' Wages*

We recommend that farm workers be exempt from tax deduction at the source, and that they be required to report their own income. At present the law is not observed. Farmers who deduct the tax from their workers' pay, lose their help to those who do not, and in many cases, farmers have been paying the tax out of their own pockets.

The present law, therefore, is not effective, and to make it effective would result in a very undesirable degree of regimentation, and the cost would be prohibitive. At present, every employer is required to deduct the necessary tax from the employee and to remit the amount in a stated time or be subject to penalty.

In order to comply with the present law the farmer needs to have in his possession, the revised table of tax deductions, as well as various forms which he is expected to fill out properly. First there is the T.D. 1, for statutory information given by employee to employer to avoid undue tax deduction. A single copy of this form properly completed must be obtained by the farmer from each of his employees. Then there is T.D. 1A, which is the tax deduction exemption claim. He must have this form also completed by employees who claim exemption. Third, there is T.D. 2, the form which accompanies remittances of the amounts deducted at the source. Fourth, there is T4, a remuneration summary, prepared annually in triplicate. Lastly, there is T4 supplementary, a listing of wages paid and taxes deducted from individual employees, prepared annually in quadruplicate.

In the United States the tax is not deducted at the source from farm workers. The latter are required to pay on an estimated basis.

3. *Dispersal Sales of Livestock.*

The application of the present act and its regulations to the income from livestock reduction or dispersal sales has long been a source of uncertainty and dissatisfaction among farmers.

At present, all proceeds from sales of livestock, irrespective of the capital invested in the breeding herd, or "basic" herd, are treated as income for the purpose of the income tax, in the case of farmers who compute their tax annually on a straight cash basis, which most farmers do. This has created hardship in many instances, especially where farmers are retiring from business and depending upon the sale of their capital assets to provide future means of livelihood.

We submit that the breeding herd, or "basic" herd, is a capital asset and should be treated as such. Livestock products, such as milk, wool, etc., and natural increases, are income, but the breeding herd, like land, buildings, and machinery, is an instrument of production. Taxation authorities in both Great Britain and the United States have recognized the capital nature of breeding stock.

It would appear that there should be, in the Income Tax Act itself, some clause providing for definite distinction between income and capital, in respect to these livestock sales; that in the case of reduction of dispersal sales, tax should be levied only on what could be legitimately termed current income. Tax officials may claim that this is being done under the present regulations, but there is a rather wide variation in the application of the act in different parts of Canada, and the farmer finds himself entirely at the mercy of the uncertainties of regulations under the Act and the application of the regulations.

A plan has been presented to the Minister of Finance, which might be termed the "basic herd" plan, designed to overcome the difficulties we have mentioned: While this plan has not been officially endorsed by the Federation,