

a bulk sale was strictly income of the year of sale. It was realized, however, that some injustice would be occasioned by taxing on this basis, and the taxation division has permitted a spreading back of the proceeds of the bulk sale over a period of three to five years, including the year of sale.

In doing this several factors have to be taken into consideration, that is, the inventories, accounts receivable and payable, et cetera, at the end of each of the three or five years, and in many cases they have to be estimated. In any case relief from an excessive tax burden enures to the farmer. At page 2745 of *Hansard* of November 30, the hon. member for Souris suggests an example be given of how such a method would be worked out. We will take his arbitrary figure of a bulk sale in 1945 of \$10,000. Assume that the farmer's inventory was as follows:

1941	\$4,000
1942	5,500
1943	7,000
1944	8,500
1945	10,000

Instead of taxing the total proceeds of the sale of \$10,000 in 1945 the taxation division would be prepared, if there were no other factors to be taken into consideration, that is, accounts payable, et cetera, to deem \$4,000 to be income of 1941 and \$1,500 to be income of each of the four subsequent years. Most cases are not as simple as this, and all factors have to be taken into consideration in coming to a conclusion, but the fact remains in the case of a bulk sale where the farmer is going out of business, a reasonable adjustment is made. The inspector of income tax is always ready to discuss and recommend adjustments in the matter of bulk sales by farmers.

Questions have been raised as to the taxation of the proceeds of breeding animals. Inasmuch as the cost of purchasing or raising such animals has been allowed as an expense, the proceeds of sale represent taxable income. Indeed, the animal may be considered a breeder to-day and to-morrow be slated for re-sale. It is suggested that it is part of the farmer's merchandise; that is, what he deals in, and therefore on sale returnable as income.

With regard to the taxation of the proceeds of wheat participation certificates, the treatment of such is covered by order in council P.C. 6020 of August 1, 1944, which provides that any additional tax found due by reason of including the amount received from the encashment of wheat participation certificates with other income of the farmer in the year of encashment over and above that tax which would have been claimed if the farmer had

[Mr. McCann.]

been taxable in the year of receipt of the wheat participation certificate be remitted in any individual case.

Finally, it might be pointed out that by the 1944 statutes, section 4, subsection 5, chapter 43, provision is made for spreading a loss sustained by a farmer over a number of years, that is, one year back and three years forward; thus a loss sustained in 1944 could be claimed first against the 1943 income, and if not recouped in that year, then successively against 1945, 1946 and 1947.

I think that with that comprehensive statement on the record, hon. members interested who give it a little study will find that it covers in as clear a manner as it is possible to do it the whole question which the hon. gentleman has raised.

Item agreed to.

Income tax division—
226. Internal inspection and verification,
\$445,774.

Mr. STEWART (Winnipeg North): To what extent is the auditor general responsible for auditing the receipts of this department?

Mr. McCANN: The accounts of the Department of National Revenue taxation division come under the audit of the auditor general in exactly the same way as the accounts of any other department.

Item agreed to.

Income tax division—
227. District offices, \$11,075,604.

Mr. MACDONNELL (Muskoka-Ontario): Would the minister explain this substantial increase? Then I wish to make one comment.

Mr. McCANN: The increase is due almost entirely to the enormous increase in staff. No department of government has, I think, grown more rapidly in war years—that is, of all the older departments of government—than has the taxation division of the Department of National Revenue. The expenditures for salaries in 1944-45 were \$6,250,000, and for 1945-46, \$8,775,000, an enormous increase.

Mr. MACDONNELL (Muskoka-Ontario): What was the expenditure two years back?

Mr. McCANN: I have only the figures for one year preceding.

Mr. MACDONNELL (Muskoka-Ontario): Has the expenditure jumped up this year more than usual?

Mr. McCANN: No; there has been a fairly gradual growth during the past four or five years of war.

Mr. MACDONNELL (Muskoka-Ontario): I just wish to make this comment. This in-