

Hon. Mr. HAIG: I understood Mr. Hannam to say in connection with the farmer and his family that they are not allowed the exemption of \$1,200 that is enjoyed by wage earners.

Hon. Mr. ASELTINE: He said that the farmer did not have a loss until the \$1,200 exemption was absorbed.

Hon. Mr. HAYDEN: There was no loss until he made \$1,200.

Hon. Mr. ASELTINE: Is that correct?

Mr. STIKEMAN: That would be true in individual cases because the extent of exemption is \$1,200, therefore he would pay no taxes on income up to that point.

Hon. Mr. HAIG: I am not trying to cross-examine Mr. Stikeman but I want to be clear on this point. Take for example, a farmer on your four-year basis, in the first year the farmer has a profit of only \$800, but he is entitled to an exemption of \$1,200.

Mr. STIKEMAN: Yes.

Hon. Mr. HAIG: When you put that on a four-year basis does the farmer lose on the basis of the \$400?

Mr. STIKEMAN: No; I think there is a certain confusion of terms there. The loss Mr. Hannam was speaking of was not the loss in terms of individual exemption from taxes, but a loss in terms of going into the red on your books of account.

Hon. Mr. HAIG: I would like to ask Mr. Hannam a question. Take a farmer, a married man, at the end of the year he has \$800 net income, but he is entitled to \$1,200 exemption. Is he \$400 in the red, on your four-year basis?

Mr. HANNAM: No. I do not wish to connect the four year averaging period with this matter. I do not think they are related in this sense. Our present basis of computing taxes on the farmer is that that \$400 you mention would not be registered as a loss. If he had an income of only \$2 for the whole year, he cannot show a loss on his income tax return.

Hon. Mr. ASELTINE: That is correct.

Hon. Mr. HAIG: I know that, unfortunately, all too well, but what I do want to know is, with your five-year averaging plan, would the \$2 or the \$1,200 be taken into account to make up for the other years? I suggest to you, Mr. Hannam, that is a very important question.

Hon. Mr. BENCH: Would the farmer not get his exemption in five years when he made the return and paid the tax?

Hon. Mr. HAIG: No, he has a net profit of \$400, but is entitled to \$1,200 exemption; he cannot get \$1,200 for the year's work for himself and family.

Hon. Mr. BENCH: Yes, but he does not pay taxes. When he comes to the end of the five years, he averages out and gets what he is entitled to.

Hon. Mr. HAIG: But what I am getting at is, he has a \$1,200 exemption for five years.

Hon. Mr. HAYDEN: Are you asking that the Crown guarantee him \$1,200 a year?

The CHAIRMAN: Let the witness answer the question if he can.

Mr. HANNAM: I would say, Mr. Chairman, if Senator Haig's proposal were carried out that would be absolutely equitable to the farmer.

Hon. Mr. HAIG: That is the answer I wanted.

Hon. Mr. CAMPBELL: Mr. Hannam, in presenting your brief and dealing with its particular points, you were suggesting an average of income and not an average of taxable income?? Is that not correct?