

*Income Tax Act*

• (2030)

**Mr. Danforth:** I understand the provision made for scientific research. What I do not understand is the way in which determination is made as to a taxpayer's chief source of income. This could change from one year to another, taking into account the vagaries of farming. What about the example I gave of the taxpayer who stored his crop? His chief source of income in the year in which he disposed of his crop might be his wages as an automobile worker, not his income as a farmer. Certainly, his category cannot change from year to year depending on whether or not he stored his crop.

**Mr. Turner (Ottawa-Carleton):** I suggest it could. Here again, it is a question of fact. What is the chief source of income? A taxpayer might have one view of it, the minister might take another. If there is a dispute, the review board or the appeal court can make a decision.

**Mr. Danforth:** But it could not change under the act from year to year?

**Mr. Turner (Ottawa-Carleton):** I would think so. The hon. member has put forward a borderline case, but conceivably it could.

**Mr. Baldwin:** Suppose he was on a farm, drawing unemployment insurance for ten months?

**Mr. Gleave:** I would point out that the trend in agricultural research is away from the type of operation the minister was describing. There was a time when substations devoted to agricultural research were operating in various places—for example, in northern Ontario and in Saskatchewan—under the direction of the principal research stations. Local farms were picked to carry on experiments designed at the central station in Ottawa, Saskatoon or Swift Current. This practice has been discontinued, as far as I know, because it was felt by those responsible for agricultural research that research should be concentrated in the main experimental stations.

I am a little surprised the minister should tell us he has been advised by the Minister of Agriculture and others that we ought to start again along these bush operation lines. The bill reads:

Where a taxpayer's chief source of income . . . is neither farming nor a combination of farming and some other source of income—

That is a nice definition. But would the minister tell us what the real source of income of this individual would be?

**Mr. Turner (Ottawa-Carleton):** The hon. member may feel that in general terms the main rate of agricultural research is carried on by the provincial experimental farms, and I agree with him. I wonder whether he would want to discourage scientific research in agriculture which could be carried out by individuals across the country because they have an interest in the land. As long as the research is bona fide, and as long as its purpose is the furthering of knowledge pertaining to husbandry and horticulture, the hon. member might think it was an effort we should encourage. Surely, some of the great ideas in agriculture have come from individuals who stood apart

[Mr. Turner (Ottawa-Carleton).]

from the main research centres. This is the social purpose behind the suggested amendment.

**Mr. Gleave:** I do not want to discourage that kind of activity. I just do not want to encourage people to do it at the taxpayers' expense, that is all. It is true individuals have made outstanding contributions to research, but most of the work in this field has been associated with our experimental farms. I think our tax money should go to the experimental farms and to the universities; I do not think it should be frittered away into little cul-de-sacs here and there. I object to the minister suggesting that I want to discourage experimental agriculture. I have done it myself on my own farm. But no one gave me a tax concession for doing so. I cannot accept the charge that I want to discourage research in farming.

**Mr. McKinley:** If the department is not prepared to allow all the expenses incurred on a farm out of income other than that which may be used for experimental purposes, how can the department justify charging income tax on any profits made from that farm?

**Mr. Turner (Ottawa-Carleton):** This is not a deduction allowed in respect of farming in general. A farmer is entitled to deductions with respect to all expenses incurred in running a farm. This provision is for the non-farmer who has a farm on the side known as a hobby farm. At the moment he is allowed a maximum of \$5,000 as a deduction. The national policy reflected in the amendment before us is that we ought to allow, beyond that \$5,000, any expenses legitimately incurred for purposes of agricultural research.

**Mr. McKinley:** If the department does not allow all the expenses legitimately incurred in the operation, I cannot see on what grounds it can levy income tax in the event of profits made.

**Mr. Turner (Ottawa-Carleton):** A person whose principal business is farming is entitled to every legitimate expense he incurs. But if, as is often the case, he is not working the farm full-time and incurs a loss, the maximum he is allowed is \$5,000 a year. Under this amendment there would be a further exemption with respect to legitimate scientific research.

**An hon. Member:** It is open-ended.

**Mr. Lambert (Edmonton West):** It is not.

**Mr. Turner (Ottawa-Carleton):** The hon. member says it is open-ended. The taxpayer has to spend the money and the department has to be satisfied that the expenditure was legitimate. It is up to the committee to decide whether agricultural research is worth enough to the country to allow such expenditure to be covered. I might add that the \$5,000 figure was set, taking into account the balance of convenience, as applying to people living in the cities who were running farms as a hobby or for pleasure. It was felt that they should not be allowed to reduce their income unduly by running a farm, so a limit of \$5,000 was placed on the deduction. The figure of \$5,000 is a figure decided on by parliament in its wisdom at an earlier date. We are proposing to add now, beyond and above that, an allowable deduction in respect of legitimate research.