

Income Tax Act

larly as they apply under the new rules which were under discussion earlier, and with regard to the basic herd problem.

There is one other area which I want to explore briefly with the parliamentary secretary. It has to do with section 28 of the bill. This concerns the question of cash accounting and accrual accounting. As I understand it, section 28 provides an opportunity to farmers to use a cash accounting basis when reporting their income. At the same time, there is a provision that a farmer can switch over to accrual accounting only with the concurrence of the minister, and only upon such terms and conditions as the minister may prescribe.

I note there is a general rule under which the minister can lay down terms and conditions for any switch-over to accrual accounting. Does the taxpayer have any rights? Does the taxpayer, who may either find it to his advantage or feel he is being forced to switch over from cash accounting to accrual accounting, have any rights in the field now before us in terms of any transitional rules? I raise this because obviously the switch-over from one system of accounting to another can pose some real difficulties for the taxpayer. In view of some of the provisions of the bill, the government must feel there is some advantage in some cases to an accrual system of accounting. They have written into the bill in a number of places transitional rules which allow a time period to make adjustments or changes.

Unless I missed some point with regard to any change-over that farmers may wish to make from cash to accrual accounting, I see no provision which will give the taxpayer any rights in terms of being able to take advantage of any transitional rules in order to make the adjustment and the change-over more easily. I would like to have the comments of the parliamentary secretary on this matter. Are there any such transitional rules within the act that are not subject to discretionary authority in the hands of the minister and, if there is no such provision, is the government prepared to give any consideration to changes along this line?

Mr. Mahoney: Mr. Chairman, in this particular case there is no provision for transitional rules. The hon. member is quite right. However, the point he is missing is that the switch from cash to accrual accounting would be voluntary as far as the farmer is concerned. It has not been considered particularly appropriate to provide transitional rules that will take care of that situation because presumably he would not make the decision to switch unless it was to his advantage to do so.

On the other hand, when we talk about accrual accounting that professional people have to do from the beginning of the new tax system on, we are talking about a situation where we are requiring them to change from cash to accrual accounting and where this is being imposed upon them by a change in the law rather than a voluntary act on their part. It does seem appropriate to have transitional provision in this situation.

Mr. Burton: Mr. Chairman, I wish to comment on what the parliamentary secretary has just said. I recognize the point he has made that the matter of changing over from cash to accrual accounting by a farmer is a voluntary proposition, whereas in fact it is being required for some

[Mr. Burton.]

other occupational groups. At the same time, it still leaves open a question which, as the parliamentary secretary indicated this morning, is still under debate. While there is no provision under the proposed law that will force a farmer to change over from cash to accrual accounting, in fact there may be provisions in the law where the practical consequences of the provision, and I refer to the basic herd provision, will be that the farmer has no choice or finds in the long run that is the only way out for him, to make a switch-over from cash to accrual accounting.

The parliamentary secretary indicated this morning that he did not quite follow the argument being made by some people in this regard that this would be the effect of the proposals, particularly as contained in section 29. However, he wanted to have section 29 stand so that the government could give the problem raised further consideration and try to gain a better understanding of some of the objections raised. In light of this situation, the matter of transition from cash to accrual accounting for farmers requires and deserves further consideration as well. I commend such an approach to the parliamentary secretary. I hope he will follow a course of action similar to that which he followed this morning.

Mr. Mahoney: Mr. Chairman, I really do not think the hon. member wants us to stand this section. I am sure he would want to leave the option open to farmers to report on a cash basis. Transitional provisions, where appropriate, are contained in Part III.

Mr. Burton: I rise on a question of privilege, Mr. Chairman. I do not know whether the parliamentary secretary was implying this or not, but I want to make it clear that there was nothing in my remarks that could be interpreted as suggesting that I do not want farmers to have the option open to them of staying on a cash accounting basis.

Mr. Mahoney: I am sorry, Mr. Chairman. I understood the hon. member to suggest that we should treat this section as we did section 29 and stand it while we consider his suggestion. I was simply saying that I do not agree that standing this particular section will serve the purpose, because I am sure we all want to pass this section. The transitional provision are comprised in Part III of the bill rather than in Part I. That would be the appropriate place to introduce transitional measures such as the hon. member is suggesting.

• (3:10 p.m.)

Mr. Burton: Could the parliamentary secretary tell us whether he is prepared to give consideration to this question of transitional provisions?

Mr. Mahoney: The only thing I can say is that we are continuing seriously to consider all representations. As to what disposition will be made, I cannot forecast, but I really doubt that in this particular case transitional provisions will be permitted. However, we shall study the matter. As the hon. member is aware, the representatives of the Canadian Cattlemen's Association have been visiting various Members of Parliament and officials in the Department of Finance for the past few days trying to persuade them of the validity of this argument that somehow or other something in this bill will impel ranchers to switch from a cash to an accrual basis. Up to now, the