

man has not been showing income until he has actually received it in cash from the sale of his stock.

Mr. ROSS (Souris): Has that been possible in the past under the form signed by the farmer?

Mr. GIBSON: That is the basis on which he is assessed. He puts in his return, himself, and decides which way he will submit his account. As the hon. member has pointed out, the purchase of equipment has been written off from year to year. He gets a depreciation at the rate of twenty per cent for power equipment and ten per cent for other types.

Mr. ROSS (Souris): Is it not twenty per cent the first year and ten per cent thereafter?

Mr. GIBSON: It has varied throughout the years; but I understand that the rate for motor trucks, tractors and other types of power equipment is now twenty per cent each year, and that for other types of machinery and equipment it is ten per cent. If the machinery has been on the farm, and has been worn out, it has presumably been written off through the years. Consequently the money should be available for the purchase of new equipment by the time the old is worn out.

Mr. WRIGHT: The other day I brought up the matter of the depletion of capital assets in cattle and herds built up over a number of years. A great number of farmers are just coming into the income tax group. Did I understand the minister to say that they may choose the manner in which they wish to file their income tax returns? May they decide whether they do it on the accrual or on the cash basis?

Mr. GIBSON: If they are in business for the first time they can pay it on either basis.

Mr. WRIGHT: I think that point should be made clear to the farming population. I know of several farmers in my province whose sons have been called up and who have had to dispose of fairly large herds of cattle during the last year. If they fill out the form properly, they will have to pay approximately half of the value of those herds in income tax. That is what will happen unless it is known that they may choose the accrual method of figuring their income. It simply means that the value of half of their cattle will be wiped out and that they will never be able to get back into the production of live stock, the government having collected the money.

[Mr. Gibson.]

Mr. GIBSON: The man is not just starting in business for the first time; presumably he has been in business for a number of years and has not been taking into account any profits made through an increase in his inventory. He now suggests doing it for the first time when he is beginning to get some income from the sale of his herd. If he had wanted to go on an accrual basis he should have been doing that as he went along. If he starts to-day on an accrual basis, he shows as income the sales he has made, and he also shows the increased value of his inventory for the year. That would put him on an accrual basis from now on, but he will have been on a cash basis up to now. That is how he finds himself in the predicament he is in at the present time.

Mr. QUELCH: As has been stated already, this year many farmers will be paying an income tax for the first time, perhaps in many years, and I am hoping that they will be saved the embarrassment I was under in 1936. Back in 1926, 1927 and 1928 I filed income tax returns. Then the depression came along, and I was running my farm in the red and did not make any return until 1936. In view of the fact that I was elected, I made a return. Shortly after that I received a notice from the income tax branch to file income tax returns for 1930, 1931, 1932, 1933, 1934 and 1935. We had been through very serious times, and the officials must have known that the farmers did not have any income during that period. Yet they expected me to file income tax returns for those years. I wrote and told them I would be visiting Edmonton in the near future. I went there and conferred with the official in charge. I told him just what I thought about the whole thing. He brought in another official, and finally they said, "Go home and forget all about it." I think the minister should try to see that this should not occur again. Nothing will be gained by asking farmers to file returns for past years. They will simply have to sit down and fake—that is the only word that can be used—the information for the returns because most of them do not have books.

There is another point in connection with the wife of the farmer looking after the poultry and other side-lines. She should be able to count that as her own income, and the farmer should not have to pay any income tax on that. According to the return the farmer must show the produce consumed from the farm. The wife may be raising a garden, and the farmer must show the amount of produce consumed from that garden. The wife and children may have done the work, and if the