

not be able to take advantage of it; under this clause it would be wiped out.

• (2020)

**Mr. Howard:** Mr. Chairman, I know a little about fishing but not much about farming. I hope the minister will bear with me as I try to put into words what I understand this provision to be. From reading the clause and listening to the minister, I understand that a scientist with the National Research Council, for example, could buy a 50, 150 or 200-acre farm somewhere around Ottawa, farm it marginally—in other words, as a hobby farm—but use his scientific knowledge to engage in some kind of scientific research as contemplated in section 37 of the act and thereby be able to curtail the amount of tax he must pay to the federal government. However, in the case of someone in my constituency trying to develop a farm and working eight hours a day in a mining operation, logging operation or some other industry, he does not get any advantage out of this provision. He spends his spare time trying to clear the land and develop it into a producing farm.

On the surface, it seems that if you have an “in” with the Department of Industry, Trade and Commerce, you are all right. However, a poor guy trying to slug it out by working in industry and trying to build a farm cannot get any help whatever. A person trying to make a go of farming in the north country is subject to attack by the Department of National Revenue. They check his books for the previous five years, say that he is not a bona fide farmer and do not permit him the few deductions available to him, even though he cannot develop the farm by himself and needs money from some other source.

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, here again we are referring to expenses for scientific research. They are actually expended. Their purpose is scientific research. They are defined within the regulations. They do not accrue as an advantage to the person who expends them. Because of the national purpose of including agricultural research, we propose to allow them as an additional deduction.

It is true that somebody with a basic scientific background might be able to qualify more easily, but it is not so limited. If a miner in Terrace or Kitimat wants to buy a farm and operate it in his spare time, he can qualify for the \$5,000 deduction as a non-farmer. I refer to regulation 2900 under the heading of “Scientific Research.” If a person in Terrace gets material from the University of British Columbia for basic research that he would like to do on mid-northern agricultural farming, he would qualify as easily as somebody who is a member of the National Research Council operating in Grenville-Carleton, if he undertook, with the help of a university or anybody in the area of applied research, the following:

(a) basic research, namely, work undertaken for the advancement of scientific knowledge without a specific practical application in view,—

(b) applied research, namely, work undertaken for the advancement of scientific knowledge with a specific practical application in view, and

(c) development, namely, use of the results of basic or applied research for the purpose of creating new, or improving existing materials, devices, products or processes.

### *Income Tax Act*

That is the purpose of it. Agricultural research could be done in the hon. member's part of the country and could be used intensively. It is that kind of research the Department of Agriculture wants to encourage and has recognized, under the Income Tax Act, as a deductible expense.

**Mr. Howard:** Mr. Chairman, the minister put it clearly and distinctly when he stated that somebody from the National Research Council would probably have a bit of an edge in this matter.

**Mr. Danforth:** Mr. Chairman, I wish to direct a question to the minister. Perhaps he dealt with this matter before, but I am not clear on it. It seems it is left to the minister's discretion when a taxpayer's chief source of income is neither farming nor a combination of farming but is from another endeavour. This is a sore point in my area, because many farmers who find it difficult to earn a suitable living from farming try to earn outside income. Many obtain employment in automobile factories. Through some circumstance of crops they find they are not able to declare a full farm loss on their operation. I am wondering how a determination is made in this case.

I wish to refer to two specific examples. First, a person who farms part-time and also works in a factory may lose his entire crop due to floods. His farm operation may have a net loss of \$8,000, \$10,000 or \$12,000. The way the act previously read, he was not able to claim this loss because he was not considered to be a farmer of this type. Second, a farmer may have had a very successful year in farming but did not dispose of his crop before the end of the taxation year. His entire crop may be in storage. Under the terms of the act as it stood previously, he was unable to claim his legitimate farming expenses to the extent they actually accrued. Can the minister give an indication of how it is decided whether a farmer is indeed a bona fide farmer when his income is derived from two sources?

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, this relieving amendment is open to people who are non-farmers but are in the partial business of farming. If a farmer from Kent county or Essex county decides to work in an automobile factory, it is a question of fact whether he shifts his principal source of income to farming or to being a wage earner in an automobile factory. Who determines this? In the first instance, I suppose that he determines this when he files his income tax return. He may be challenged by the officials of the Department of National Revenue. If the taxpayer objects, he can file notice of objection. He may then go to the tax review board, then to the Federal Court or any other part of the appeal system. It becomes a matter of judicial interpretation. It is an appraisal of fact whether his principal business is farming or not.

Second, as to qualifying for this relieving provision, whether the expenditures for which he is claiming an additional deduction beyond the \$5,000 deduction already allowed in the act are for the purpose of scientific research, that is a question of fact that would have to be interpreted by a court. It is not left to ministerial discretion.