

benefits and therefore meet the criterion of an asset. Permitting the capitalization of soft costs totally to the building would allow developers to amortize these along with the acquisition cost of the asset.

6.43 To a developer, however, vacant land is analogous to inventory in a retail or manufacturing operation; carrying costs should thus remain deductible as they are incurred.

6.44 **13. We recommend that the Government not proceed with the proposal to require developers to capitalize vacant-land carrying costs.**

6.45 **14. We recommend that construction period soft costs be required to be capitalized but that the amounts be completely capitalized to the building.**

6.46 A close examination of the whole set of proposals relating to the taxation of farmers including the various "tests" as to who is a farmer, the elimination of block averaging and, most particularly, the dual accounting system, appears to us to be more of an attempt to ensure that non-farmers do not benefit from tax advantages traditionally extended to farmers, rather than an attempt to meet the needs of farmers themselves. We are fully cognizant of the legislative and judicial problems which have arisen because of the role of the part-time farmer and, more to the point, the hobby farmer. We sympathize with the thrust of what the Government wants to do, namely draw a distinction between "true" farmers and those who use farm activities as a form of tax shelter.

6.47 Having said that, we feel that genuine farmers should not be made to carry the brunt of proposals designed to limit benefits which others attempt to get for themselves. While we feel that it is quite legitimate for the Government to try to devise new rules to identify other than full-time farmers and to prevent them from getting excessive tax benefits, we feel that the tests and rules laid down in the White Paper are inappropriate.

6.48 **15. We recommend that the tax rules relating to farmers remain as they are at present, and in particular recommend that farmers be allowed to use cash accounting and retain block averaging.** We also note that an administrative *modus vivendi* has been achieved in the past with regard to farmers having offices in their homes. We would like the assurance of Revenue Canada that