

getting \$2,000 a year, he is obliged to pay income tax on \$800 each year for five years. That young man has made the same amount as the farmer, \$10,000, but the farmer has to pay a lot more money in income tax.

Hon. Mr. DAVIES: But the farmer has had his living at the same time.

Hon. Mr. HAIG: That is added to income.

Hon. Mr. BENCH: Mr. Hannam, let us take the example of Senator Haig and examine it for a moment. I do not wish to take too much time on this, and I feel I am already transgressing. The farmer breaks even for three years, and if he were entitled to charge up a salary against his farm income for those three years, it would have the result of his having a loss, would it not?

Mr. HANNAM: Yes.

Hon. Mr. BENCH: If that situation actually obtained, the farmer would be able to carry those losses into the fourth year, under the section as it now stands, and deduct them from his then profits for the purposes of determining income tax. Is that correct?

Mr. HANNAM: Right.

Hon. Mr. BENCH: Similarly, if he breaks even, independent of his salary in the fifth year, but were permitted to charge his salary against income, he would be in the same position. I suggest to you, that what you are really seeking is some provision in this law which would permit the farmer to charge against his income, before taxing, a salary or wage representing the labour which went into the producing of his revenue. Is that correct?

Mr. HANNAM: That is another way of accomplishing the same thing.

Hon. Mr. BENCH: Having regard to the position in which the law now stands, is that the solution you are asking?

Hon. Mr. HAIG: He has not gone that far.

Mr. HANNAM: I am not going that far. The Income Tax Department will say that if we put forward that proposition they will have to allow every individual operator in Canada, in farming or any other business, the opportunity of putting in his salary and saying what is his salary.

Hon. Mr. BENCH: That is so, but I suggest that it should be extended to the profession I have mentioned, that of the surgeons.

The CHAIRMAN: How about the lawyers?

Hon. Mr. BENCH: I did not like to say that outright.

Mr. HANNAM: Take this present example before us: four years the farmer breaks even—I do not know just what you mean by breaking even.

Hon. Mr. HAIG: No wages at all.

Mr. HANNAM: No wages at all. He certainly does not break even because you say he has no income at all for four years.

Hon. Mr. BENCH: Let us take for three years, because that is what the Act now covers.

Mr. HANNAM: All right, let us take three years. According to the interpretation of the Income Tax Act, we are prepared to allow a married man an exemption of \$1,200; in other words, we will allow him \$1,200 for his work.

Hon. Mr. BENCH: You mean that is the effect?

Mr. HANNAM: That is the effect of it. At the same time in the city today the wife of a wage-earner can earn \$660 without any tax. If you gave the farmer and the farmer's wife \$1,200 and \$660 totalling \$1,880 each year for three years, which represents their loss and then put it against the good year, the farmer would be very well satisfied with that arrangement.