

is selling is the accumulation of a herd built up over a period of fourteen or fifteen years. I have discussed this matter with Mr. Loury, but it is not his fault; he is just the representative in Manitoba. He points out, however, that farmers do not keep books, and therefore do not take inventories at the end of the year, and that in those circumstances they could not be handled in the same way.

These men are forced to sell their herds they have built up over a lifetime. The first instance I mentioned was with respect to a first-class herd of Angus cattle. I never met the gentleman in question, but I have met his son, and I know something about their herd of live stock. The crux of the whole situation is that on account of a lack of man-power the farmer in question is being forced to change his capital invested in producing stock to income received from their sale, and this at a time when Canada and the United States face a food shortage of serious proportions.

The second letter goes on to point out the whole man-power situation, how it has been disorganized by the government through lack of cooperation of various departments, and he indicates that the entire situation rests with our handling of the voluntary system of supplying man-power. Then he points out another situation where a man operated a well-drilling machine, and that while the machine was drilling to produce a water supply for an air field in western Manitoba the expert who was operating the machine was called for military duty. He, like many other farmers' sons, refused to ask for exemption when called. I sympathize fully with the feeling of those young men. If somebody in authority is not in a position to tell them where they can render the best service, they do not like asking for exemptions. That more than anything else is at the root of our difficulties in connection with our farming operations.

In the instance I have in mind the young man did not ask for exemption, despite the fact that the airport at which he was working was very short of water, and that large sums of money had been spent. That, it seems to me, is a concrete example of the condition we have in Canada to-day.

I come back to this procedure of selling herds of pure bred stock, herds which in some instances have been built up over a lifetime. Surely some provision should be made whereby they could be shown as capital investment, rather than as income for the year. If they were so shown the farmer should be entitled to the same consideration as that given to

industry. Someone has pointed out the difficulty of securing new farm machinery to-day. If a man sells his live stock and invests a large proportion of the selling price in the new equipment he says he needs, surely he should be entitled to write it off over three years, as depreciation, in the same manner as industry is allowed to write off capital equipment. The farmer is certainly entitled to the same consideration.

This whole set-up must be revamped, and consideration must be given to these farmers who, I am sorry to say, in many cases, are going to leave the western country, with the result that the development of herds and farming generally will suffer. I trust the Minister of National Revenue will give some assistance in this respect. The hon. member for Portage la Prairie knows the situation well. He and his son, who is now in the army, have developed herds; but they are now scattered to the winds. I am sorry to say there are many examples which could be given which would show that farmers do not agree with the treatment they are accorded under this income tax.

Mr. POTTIER: I understand there are 750,000 farmers in Canada, and that last year 1,488 paid income tax. Could we find in what section those farmers were located? We hear in all parts of the house that the income tax will ruin farming. I should like to know where those 1,488 are located.

Mr. GIBSON: That information can be secured, but I cannot give it offhand.

Mr. ROSS (Souris): Would the minister say something about this matter connected with the sale of cattle?

Mr. GIBSON: It has been stated that two farmers paid different tax rates in connection with the disposition of their herds. That would arise from the fact that one man has been keeping his books on an accrual basis and the other on a cash basis. The man on the accrual basis has been charged with profits from year to year. The other man, on the cash basis, has not been paying on accrued profits. He may have been paying taxes, but he has not been including as income accrued profits from the herd from year to year. Finally, when the time comes to dispose of his herd, the proceeds show as a profit in the one year, and he is in a difficult position at that time. But that is how the two different types of taxation arise, in the same industry. As I have said, one man has been keeping his accounts on the accrual basis, showing his income from year to year, whereas the other