

Income Tax Act

to us from people who were legitimately doing this as a hobby in all parts of the country, but a good many agricultural associations thought it was a good idea.

If I may return to the representations of the hon. member for Dauphin, we must reconcile two interests. We must protect the public treasury from people who might tend to abuse the family farm as a way of artificially reducing income and, on the other hand, we must help the legitimate farmer who in order to supplement his income enters another business. I will look at this question again, and will ask the department to do so. But that is the saw-off we must make.

Mr. Nystrom: Mr. Chairman, will a bona fide, full-time farmer qualify for an exemption for scientific research?

Mr. Turner (Ottawa-Carleton): He always did, as part of the cost of doing business.

Mr. Gleave: Mr. Chairman, I do not understand the minister. Supposing a man in Ottawa decides to buy a piece of land; there are marginal farms around here that are not very profitable. Supposing he decides to buy one of those farms, plant a special kind of tree and see if it will grow in a certain way. Or let us suppose he tries to find the best way to grow trees. Would his expenses in that undertaking qualify as expenses for scientific research, even though he is enjoying living in the little log cabin next to the lake?

Mr. Turner (Ottawa-Carleton): It is a matter of administrative fact. It would have to be legitimate scientific research and that would be a matter of fact that the Department of National Revenue would have to interpret. I refer the hon. member to section 37(1) which spells this out clearly. It reads, speaking of deductions that the taxpayer may consider:

(a) all expenditures of a current nature made in Canada in the year

(i) on scientific research related to the business and directly undertaken by or on behalf of the taxpayer—

In this case it would be the farmer. I continue:

(iii) by payments to an approved university, college, research institute—

The hon. member spoke about marginal farms around Ottawa. I assure him that the farming community of Ottawa and environs would not want to be referred to as operating marginal farms. There are good farms here, including some of the best dairy farms in the country.

Mr. Baker: Particularly in Grenville-Carleton.

Mr. Turner (Ottawa-Carleton): There are many good farms in Ottawa-Carleton, and in Grenville-Carleton too. I therefore hope the hon. member from western Canada will reconsider that portion of his remarks.

Mr. Gleave: Mr. Chairman, the minister may have his fun but I do not want to reconsider my remarks. I am perfectly serious about this. There are marginal farms around Ottawa, just as there are marginal farms around Saskatoon; and there are people who engage in farming because they like to do so. And God bless them; I appreciate their interest. Speaking as a farmer, I have experimented with special crops just to see what would happen.

[Mr. Turner (Ottawa-Carleton)]

In such instances I could charge the expense off as an ordinary expense.

In the case I referred to a moment ago, the person planting the trees would be undertaking what might be called scientific research. If that activity is controlled through, say, the University of Ottawa or the Experimental Farm, or if the University of Saskatchewan works closely with the individual concerned, that would be one thing; it would be a controlled experiment. But if an individual simply says that what he is doing constitutes a scientific undertaking, that is something else. That is specifically why I asked the question. I think this committee deserves a specific answer and not the sort of spin-off or joke which we heard about the kind of farms which are to be found around Ottawa.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I take a great deal of interest in the sort of farms which are to be found in Ottawa-Carleton and in Grenville-Carleton. Let me return to section 37(3) of the Income Tax Act, which provides:

The minister may obtain the advice of the Department of Industry, Trade and Commerce, the National Research Council of Canada, the Defence Research Board or any other agency or department of the Government of Canada carrying on activities in the field of scientific research as to whether any particular activity constitutes scientific research.

So it is open to the Minister of National Revenue to determine whether any particular activity by any person who is not primarily in the business of farming constitutes scientific research for the purposes of this deduction. Scientific research is further detailed in section 37, subsection 7 of paragraph (b) of the regulations. The definition is precise.

Mr. Baldwin: Can one go to Information Canada?

Mr. Gleave: Mr. Chairman, the minister regards the definition as precise. If a person carrying out such an operation claims a deduction in his income tax return, will somebody with knowledge and capability in this field examine his operation, or is it assumed from the return he files that he has complied with the regulations?

Mr. Turner (Ottawa-Carleton): I am advised that there has not been any problem in the administration of this particular section, and that the definition is considered to be precise enough that its factual application is easy to determine.

Mr. Ritchie: Mr. Chairman, may I ask a question about restricted farm losses? Previously, farm losses for 1971 and before then were restricted to \$2,500 a year. Is the farmer to lose what he accumulated prior to 1971?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I am afraid I cannot appreciate the full significance of the question. Perhaps the hon. member could be more precise.

Mr. Ritchie: As I understand it, a person with a restricted farm loss can carry it forward for only five years. He then loses the benefit of the provision if he does not take advantage of it. The suggestion in the report on tax topics in the budget, as I read it, is that a person who has a restricted farm loss for the year 1971 or previously would