The brief continues, at the top of page 6:

(d) Our calculation also demonstrates the magnitude of the investment represented by a property nearing the stage of sustained yield: and, still more, the need to enable the owner to resist the temptation to sell a maturing stand "en bloc" in order to realize a tax-free capital gain, or to enter into what "Forestry Taxes and Tenures in Canada", at page 228, refers to as "suppressed agreements—under which the purchaser of land and timber agreed to sell the land back to the vendor after making the cut." Such agreements, it would seem, may be illegal under Section 137 or liable to Treasury Board action under Section 138 of the Income Tax Act.

(e) A real tree farm would incorporate as much diversification as posible and, in particular, would include uneven aged stands of trees under selective management, some of which might be brought to sustain yield in 20/30 years or less. Planting and thinning would be done annually and the value of mature trees harvested each year would increase gradually as more and more of the land reached the stage of sustained yield. Once the whole property had been brought to that point, the influence of "historic cost" depletion would become neutral: the depletion account would remain constant, unless the owner expanded his holdings or, in special circumstances, reduced his timber inventory by cutting at a rate in excess of the mean annual increment.

I would like to turn now to the bottom of page 7, where we make our own recommendations. The brief says:

8. Recommendations

Our recommendations in respect of Income Tax differ from, though they are based on, those of the Canadian Tax Foundation, because we consider that reform of the Income Tax in this area would be futile unless preceded by, or firmly tied in with, amendment of the Property Tax. They are also less general in their bearing and of an interim character, because of the importance which we attach to a demonstration by the Government of Canada that it intends to create and foster conditions in which intensive private forestry will be economically justifiable and capable of attracting investment.

It is relevant and timely to point out that, having regard to what has been said above and to the position of private forestry in other countries, it cannot be believed that the present yield from taxes on those woodlands to which these recommendations would apply can be either large, steady or increasing. There is every reason to believe that it is none of these things: and that the changes we seek, besides facilitating the formation and continuing growth of a body of private and social capital represented by woodlands properly managed for sustained yield, would produce a reliable, a growing and, eventually, a substantial body of public revenue in addition to all the other social benefits. We recommend that:—

(1) The owner of Registered and Dedicated Woodlands shall be entitled to deduct from his taxable income from any source, as current operating expenses of the year in which they are incurred, all costs of establishing, growing, cultivating and maintaining trees upon such lands, save only bare land costs and such items, to be specified, of a capital nature, for which depreciation at agricultural rates shall be allowed.