

Income Tax Act

We want to know where farmers will stand in the future. We want to know what the basic view or thrust of the government is where farmers are concerned. Is this measure designed to extract from the farming community the greatest possible revenue for the government while gambling that the farmers can stay in business? Is this the view? Has any consideration been given to a policy that will bring about a viable agricultural industry in order to sustain many thousands of families and provide a high standard of food for Canadians? What is the thinking of the government? This is what we are interested in and must know. This is what the cattlemen, hog producers, tobacco growers and producers of fruits and vegetables across this country are asking today. To date, the only source of information has been chartered accountants. The stock answer of every chartered accountant I or any farmer has queried is, "I am sorry, we haven't the foggiest idea; this bill is massive and complex and it is going to take time to digest." This is not good enough. While it is being digested, processed and regulations drawn up, if the basic concept is that farmers are going to pay a higher degree of taxation the ultimate result will be the destruction of too many substantial farm units across the country that we cannot afford to lose.

Something that has been causing increasing alarm among those in agriculture has been the disposition of our basic herds, high production dairy animals and some of our top-notch breeding herds because of the fact the economic climate today is not such as to create an incentive for these businesses to continue. The economy of today is such that there is a balancing of the scale. Good, substantial farmers may or may not have a possibility of getting out of farming. Unfortunately, a tremendous number of farmers are in debt to such a degree that they cannot get out unless they are forced to do so. I am speaking of those who still have a choice. If they are undecided now, my fear is that the imposition of a greater tax load, which cannot be passed on to any other source but must be taken out of the dwindling profits of their business, will cause the whole agricultural economy to collapse. As all hon. members are aware, this would be to the detriment of Canada.

These are some of the questions we feel must be answered before we proceed too much farther with these sections of the bill.

Mr. Downey: Mr. Chairman, I have one or two questions I wish to ask the parliamentary secretary. One is with regard to the definition of farming as found on page 569 of the bill. It reads:

"farming" includes tillage of the soil, livestock raising or exhibiting, maintaining of horses for racing, raising of poultry, fur farming, dairy farming, fruit growing and the keeping of bees, but does not include an office or employment under a person engaged in the business of farming;

How would a farm manager or a son who may be working for his father and endeavouring to get into the business fit in here? Are any concessions going to be made with regard to whether he will be considered a farmer, and will he be eligible for the normal deductions of a farmer at the time he is entering into farming operations? I am referring to someone working for a farmer in the capacity of manager.

[Mr. Danforth.]

Mr. Mahoney: If a farm manager or son were employed in that capacity, he would be an employee and would report the income he receives from the proprietor of the farm as personal income. Of course, the amount of wages or salary paid to him would be an expense of the farm and deducted from the farm gross income when calculating the taxable income.

Mr. Downey: This would not help a farm manager. Suppose he had a portion of the ownership of the farm at the time and had a few cattle or something else upon the owner's property and was trying to establish himself. We are interested in some provision for him while he is trying to become established. There are many cases of farmers working in oilfields, roughnecking on drilling rigs, who are having a hard time. Has any thought been given to extending the definition of farmers to include this type of situation?

Mr. Mahoney: Mr. Chairman, the person in the situation the hon. member described would be a farmer in relation to the activities he carries on with the cattle or whatever he was operating. If he were operating a part of the land on shares and so on, his personal status would be determined by what he is doing. To the extent that he is receiving salary or wages he is an employee. To the extent that he is farming or raising cattle in some way on shares, he is a farmer and reports his income as such.

Mr. Downey: Is it correct to say that if 51 per cent of his income came from work outside the farm he could not be classified as a farmer?

Mr. Mahoney: No, Mr. Chairman, that is not correct. The hon. member should refer to section 31 which reads:

Where a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income—

Certainly in the situation that the hon. member described where a person is being paid to manage a farm, and also running his own herd this is his own farm income. However, the principle or chief source of income would be a combination of farming and some other source of income. I think the exclusion at the beginning of section 31 takes him out of the category of general farmer and away from the limitations to which the hon. member has referred.

Mr. Downey: What I am interested in is the proportion of income. My point is that there must be a definite income ratio. At what point can a man be classified as a farmer? Just what is the criterion? Is it something which is at all negotiable? Is it a matter for a ruling by the department? Is there any humanity being exercised in this regard?

• (12 noon)

Mr. Mahoney: Again we are in an area where it would be a question of fact, subject to the usual right of appeal under the act. If the hon. member were to describe a particular situation to me I would be glad to refer it to the revenue department and obtain an opinion as to how the ruling would go. I imagine it might be very difficult for a person who derived 5 per cent of his income from farming and 95 per cent from other sources to convince people