

would he make on those cattle if he sold them in the usual way? If it were on a cash basis, you would have to put the price on the cattle and say that is his income.

Hon. Mr. HORNER: Would not a certain number of the farmer's cattle be taken as capital?

Mr. ELLIOTT: No, because generally they are on a cash basis. Senator Crerar a little while ago made that comment, I think. At any rate, that is correct. Most farmers are on a cash basis. They like that best, we have found, up to the point where they make an en bloc sale.

Hon. Mr. McRAE: Mr. Elliott, I would like to ask a question about the hardware merchant. If he sells his real property and goodwill, that is capital. As to his inventory, that is probably sold at less than cost, as so much on the dollar. Seldom if ever is a profit made on the inventory. Would the hardware merchant be liable for taxes if he sold his inventory at actual cost and made no profit?

Mr. ELLIOTT: No, if he made no profit. If the deal were that the purchaser agreed to pay the cost of the inventory and no more, and the papers are so drawn up, we are not going to say there was any profit.

The CHAIRMAN: That inventory then would be capital?

Mr. ELLIOTT: No, not quite. It is not capital; it is still inventory, but it was sold without profit.

The CHAIRMAN: But inventory can be part of his capital, surely.

Mr. ELLIOTT: Well, now you are going into the larger sense, that what a man owns is his capital. The answer is "Yes," but not in an income tax sense.

Hon. Mr. LAMBERT: Mr. Chairman, I would like to ask the witness, Mr. Hannam, a question regarding wartime depreciation, with which he deals on page three of his brief. Is there any accurate data that would give one an idea of what expansion of plant there has been in connection with the increase in hog production as a result of the war?

Mr. HANNAM: No, we have not any accurate information on that. It would be very difficult to get it. But a few years from now we will likely find ghost buildings all over Canada which were set up for poultry or hogs.

Hon. Mr. LAMBERT: I think the point you have raised is a very important one. Alberta within a very short time became the largest hog-producing province. I have the impression that the extension of plant involved in that increase represents a relatively small item, when you take all factors into consideration—the facility with which the hog population reproduces itself, for one thing, and the climatic conditions in Alberta, as compared with that of other parts of the country. I think the argument for wartime depreciation should be based on a more accurate statement.

Mr. HANNAM: It might be difficult to get a more accurate statement for hog production. But perhaps a statement on poultry production—

Hon. Mr. LAMBERT: That would be easier to get, I should think.

Mr. HANNAM: Yes. We are not thinking of what might have been the normal expansion on any farm. The fact is that we did have wartime expansion for a few years, and if buildings and equipment acquired for wartime expansion are going to be discarded, the farmer is entitled to accelerated depreciation. We know that heavy depreciation—as much as 50 per cent in some cases—has been allowed on wartime buildings that are going to be discarded. Well, the farmer has never received any consideration of that kind as yet.

Hon. Mr. LAMBERT: I think it should be made clear that the reason for that is not the refusal of the authorities to give such consideration, but the impossibility of getting agriculture placed on a basis on which depreciation