

Mr. STIKEMAN: You mention further on in your brief that the farmer should be permitted to reserve against bad years out of income from good years, in order that he may in effect average his losses.

Mr. HANNAM: No, we are not making a suggestion that that be allowed apart from averaging.

Mr. STIKEMAN: That is the point. If we average, then that will cover the suggestion?

Mr. HANNAM: That is right.

Mr. STIKEMAN: Have you any concrete ideas on the mechanics of what you term a movable average basis?

Mr. HANNAM: There has been a proposal put forward to the Minister of Finance as to how that should be done. We have not approved of it in our federation. It is, we believe, a workable plan, but it is very complicated and would be very difficult to explain to the farmers. Whether the complications of that plan would make it impracticable or not, we are not prepared to say; but if your committee wish to go into that, I am quite sure I could have a presentation made on it.

Mr. STIKEMAN: Could you explain it briefly to us now?

Mr. HANNAM: I believe I can simply in this way. The suggestion is that a period of five years be taken as an average period, and that for the first four years the tax be computed in the ordinary way. In the fifth year when the taxable income is made up the average taxable income is made of that fifth year. Then the average tax is made at the rates chargeable the first year. If that average is lower than the tax that was paid five years ago, the farmer gets the credit. If the average is higher than five years ago, the farmer pays extra. In other words, in the good years he pays some more, which will be an advance in the poor years. If this plan worked out in practice as it appears in theory, it means in the year the farmer has losses, instead of having to try to pay taxes he will likely have a credit advance from five years ago.

Mr. STIKEMAN: Is the base to which you refer five years ago a fixed point in time, or does it move forward?

Mr. HANNAM: It moves forward.

Mr. STIKEMAN: So your measuring yardstick will be up or down as the experience of the year is brought into the play of your moving average?

Mr. HANNAM: Yes.

Mr. STIKEMAN: So you have a constantly changing norm against your credit.

Mr. HANNAM: That is right.

Mr. STIKEMAN: In your estimation would the bookkeeping of such a system be difficult from the farmer's point of view?

Mr. HANNAM: I don't think you should ask the farmer to do it. If you are going to follow a plan of that kind I think the Income Tax Department would do it. The farmer would make out his return, and you would have his previous return on file.

Mr. STIKEMAN: The Income Tax Division would then be required to assess, not one year with regard to the profits of that year alone but with regard to the profits of the five-year period?

Mr. HANNAM: Right.

Mr. STIKEMAN: With regard to your remarks concerning your deductions at source, and more particularly concerning the farmer's experience of deducting tax from the wages of his employees, you refer to the various forms which must be filed concurrently with that operation. If your suggestion were to be