

considerable reduction in the amount of income before there is an exemption. I think an injustice is being done to the farmers at present.

Mr. KINLEY: I do not think it is 20 per cent depreciation on machinery now.

Mr. GIBSON: I might answer the question raised by the hon. member for Qu'Appelle as to whether a member of parliament who is a farmer and is losing money on his farm is entitled to make any deductions from his income received by way of indemnity.

Mr. PERLEY: That was one of them.

Mr. GIBSON: The answer is that any taxpayer whose chief occupation is farming is entitled to deduct any losses on his farm from any subsidiary income. In the case of a member of parliament who is a farmer by occupation, if he has losses he may deduct those losses from the indemnity he receives. Deductions will have been made from his indemnity at the source, and he will be entitled to a refund of the over-deductions that have been made.

Mr. HANSON (York-Sunbury): In other words, you offset the losses on his farm—

Mr. GIBSON: If farming is his chief occupation. That is not so, however, if farming is not the chief occupation of the taxpayer. People may have farms as side-lines, as a method of recreation, or as something to play with; they may have racing stables or things like that, but losses in those connections certainly would not be allowed as deductions from incomes.

Mr. HANSON (York-Sunbury): May I ask if at one period in the history of this taxation that was not done? I have a distinct recollection of one case in which it was done.

Mr. GIBSON: I have no knowledge of any cases where such losses were allowed, and I know that since I have been connected with the department that has been the policy. Then there is the question of the depreciation of the land. Farmers are allowed depreciation on their buildings and equipment, and the suggestion was advanced to-day that they should also get depreciation on their land. Well, that is already allowed by way of an expense. If a farmer spends money on fertilizer or on improving the land, that is an expense which may be deducted from his income. Consequently allowance is made for any money expended in that way.

Then there is the question of the allowance for boarding a hired man. Again that is an expense of the farmer. If the hired man is paid a certain salary and is receiving

free board and lodging, he must add to that income an amount adequate to cover the value of his board and lodging. That becomes the income of the hired man, and is a deduction as an expense of the farmer, so he can offset that. That is not allowed in regard to the farmer himself, and the farmer who uses produce he has grown himself must include that as part of his taxable income.

It has been suggested that an allowance should be made for the farmer's wife, that it should be assumed he is paying her for the work she does on the farm. This is entirely contrary to the provisions of the income tax act. No shopkeeper or other person in business is allowed to deduct from his income any salary or wage paid to his wife, and this applies to farmers as well as to all other taxpayers.

Mr. PERLEY: Certain storekeepers are getting round that by forming companies and paying salaries to their wives and daughters. The farmer cannot do that. I should not like to say these storekeepers are beating the government, but I think they get round that provision by incorporating themselves and allowing wages to their wives and daughters who happen to be serving in their stores or other places of business.

Mr. ILSLEY: The great majority of small stores are unincorporated. When we had the price spreads inquiry the evidence was that there were 225,000 retailers in Canada, and the great majority are these little neighbourhood stores. Certainly it is not in accordance with the fact to suggest that anything but a minor fraction of them are incorporated.

Mr. PERLEY: That just makes it all the worse, because they are able to pay wages to their wives and daughters.

Mr. ILSLEY: They are not. The wife cannot get wages.

Mr. PERLEY: If the man takes the wife in as a partner, as many of them have done, he can pay her a salary. However, there is no way whereby the farmer can get wages for his wife and daughters; is that it?

Mr. ILSLEY: That is not what was said; we were merely talking about the wife. All over Canada there are men whose wives are helping them to earn their incomes. That is true of working men and many others. Their wives are keeping the home fires burning, looking after the children, preparing the meals, and so on. It would be a complete innovation in the income tax system to allow a workman to deduct the amounts he gave his wife, as