

Income Tax

"(10) Subsection 13(7.1) of the said Act as enacted by subsection (4) is applicable in respect"

and

(c) by striking out line 27 on page 16 and substituting the following:
"assistance, and subsection 13(8) of the said Act as enacted by subsection (4) is applicable for the 1974 and subsequent taxation years."

That has already been circulated.

The Assistant Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Turner (Ottawa-Carleton)) agreed to.

The Assistant Deputy Chairman: Shall clause 6, as amended, carry?

Mr. Lambert (Edmonton West): Oh, no, Madam Chairman; I am going to suggest that a more careful examination of the subclauses will be of benefit. Frankly, what sections of the act affect a number of subsections throughout the Income Tax Act. The subject matter can be as different as candies and cows. We have just been talking about timber leases. Now we are going to talk about insurance and compensation proceeds. We are going to talk about acquisition or the value of properties on which Treasury Board has approved a certain grant. We are going into all sorts of things. I am going to ask *seriatim* why there are these changes. For example, in subparagraph (3) I had a marginal question: "Why?" That is what I want to know.

Mr. Turner (Ottawa-Carleton): I will be guided by the committee. Just explaining clause 6(2), the expropriation and insurance proceeds, the revised subsection 13(4) of the act is a relieving amendment providing that recaptured depreciation which is normally added back to a taxpayer's income at the time of expropriation of the property or destruction of the property will not be taxed until the taxpayer's proceeds are finally determined by a court or competent authority and received. At the moment, without this amendment he could theoretically be taxed on recapture before he receives the proceeds. He might be arguing the value before a court or—

Mr. Lambert (Edmonton West): That is all right. I have no problem there.

Mr. Turner (Ottawa-Carleton): Subclause (3) deals with undepreciated capital cost. It is a new section 13(7)(e). It is a technical rule which establishes the time when undepreciated capital cost is to be calculated whenever a property is lost, destroyed or expropriated. It is consequential to subclause (2) of clause 18 of the bill. In other words, you have to take a point in time as to when theoretically the undepreciated capital cost is calculated. It relates to subclause (3), expropriation.

With regard to clause 6(4), this amendment adds a new subsection 13(7.1) to the act. First, it clarifies the forms of government assistance that will reduce the capital cost of depreciated property. Second, it clarifies that a reduction in capital cost will also apply to reduce the adjusted cost base of the property for all purposes of the act, particularly in the calculation of capital gains or losses. This amend-

[Mr. Turner (Ottawa-Carleton).]

ment is also relieving, but provides that in calculating capital cost of depreciating property after 1971, any payments before or after that time of the particular government assistance concerned will produce an increase in capital cost.

Mr. Lambert (Edmonton West): Subclause (8) is all right; it is consequential.

Mr. Turner (Ottawa-Carleton): Subclauses (5) and (6) provide for an extension of one year for the reinvestment of proceeds and disposition of commercial investment. The hon. member is familiar with that. It is a further extension.

Mr. Lambert (Edmonton West): Why do we get into this habit of yearly extensions? It is like the Customs Tariff Act. I have been looking at the customs tariff for 15 years. Year by year we have been relieving against the imposition of duties on aircraft engines under a certain weight. Why do we not eliminate it altogether? For 15 years we have been going through this charade. I hope we are not starting the same here.

Mr. McCain: Madam Chairman, I wish to ask the minister if the position of the lumberman has changed in respect to the amount of tax he will have to pay as a result of this change in the act.

Mr. Turner (Ottawa-Carleton): The answer is it extends the regulation making authority to incorporate new styles of leases and timber cutting and timber leasing. On balance, it is probably a relieving measure.

Mr. McCain: Is a stumpage fee paid to the crown or the government of a particular province considered a royalty, and is it an expense of a lumberman?

Mr. Turner (Ottawa-Carleton): At the moment stumpage is considered as an expense and is deductible.

Mr. McCain: The Minister says "at the moment". After this bill is passed, will it still be an expense?

Mr. Turner (Ottawa-Carleton): Yes, Madam Chairman. Clause 6, as amended, agreed to.
On clause 7—*Royalties, etc.*

Mr. Nystrom: Madam Chairman, because of the decision made on clause 4, I am just wondering whether clause 7 should stand.

● (2130)

Mr. Turner (Ottawa-Carleton): I would agree to that, but I should like to get a technical amendment out of the way and then stand it, if hon. members would agree. Again, I have circulated this amendment. It is a technical amendment at line 31 on page 17. It adds the words:

"property, or a property that would have been a Canadian resource property if it had been acquired after 1971, or"

These words are necessary since by definition a Canadian resource property is a property that was acquired after 1971 and this provision is intended to apply to all properties whether acquired before or after 1971. Then the amendment goes on to relate to lines 18 and 19 on page 20,