

Mr. GAVSIE: Yes.

Hon. Mr. MACLENNAN: That explains it.

Hon. Mr. DUTREMBLAY: If a man in his will devises his property to his wife, is that a disposition of property?

Mr. GAVSIE: No, senator. If you look at the bottom of page 6 and the top of page 7 you will find certain rules. Rule (d), on page 7, says:

Where a taxpayer has given property away otherwise than by will, he shall be deemed to have disposed of it at the time of the gift at its fair market value at that time.

So if he gives it by will he is not deemed to have "disposed" of it. I would say that when property is devised by will there is no "disposition", and this rule goes further and says that there is no disposition even if it is given away by will. So there would be no recovery in the case of property passing by a will.

Hon. Mr. NICOL: Mr. Chairman, the explanations that were given at the beginning of this meeting divided the bill into three parts, and we were told the intention was to make a general revision of the Income Tax Act. Now, as I understand it, in the present Income Tax Act there is nothing similar to sections 7 and 8 of the present bill. No explanations were given as to why these sections should be in the bill, and I believe there was no understanding of them in the Senate or the other house.

The CHAIRMAN: Senator Nicol, to be fair to Mr. Gavsie, it should be pointed out that he did give us an explanation. Whether we accept it or not is another matter, but he has given us a general explanation.

Hon. Mr. NICOL: I think these two sections could be eliminated without changing the general economy of the Income Tax Act, and I move that the two sections be deleted.

The CHAIRMAN: We are not yet dealing with the bill clause by clause, and I think, senator, that it would be more appropriate to wait until we reach that stage before you move your motion.

Hon. Mr. NICOL: Mr. Chairman, questions are being asked and answered, and so far as I can see we are not making any progress. We will spend the whole morning on this bill, but the important parts are sections 7 and 8, which are amendments to the income tax law. I am prepared to make a decision with respect to those sections, and I move that they be deleted from the bill.

Hon. Mr. LAMBERT: May I ask the witness, Dr. Eaton, if this bill as a whole were held over until next session, and in the meantime, or before final decision was made, fuller consideration were given to it, would any embarrassment be suffered by the department? Personally, after listening to the discussion in the house yesterday and the remarks here this morning, one becomes sensitive to the fact that we at least have been rushed in this matter, and I think the other house also did not have an opportunity to give full consideration to it. It seems to me that this portion of the bill, at least involves administrative matters, and does not affect revenue. Would it be possible to apply next year, for the same measure, and if you wish date it back to the beginning of 1949?

Hon. Mr. EULER: Would those reductions take effect if the whole bill were thrown out?

The CHAIRMAN: No; I do not think Senator Lambert is suggesting that the whole bill be thrown out. He may have used that expression.

Hon. Mr. LAMBERT: I meant that at least sections 7 and 8 should be deferred.

The CHAIRMAN: You mean that part of the bill dealing with depreciation.

Hon. Mr. LAMBERT: These are the main sections of the bill.