

The CHAIRMAN: If the fair market value exceed the depreciated value.

Hon. Mr. HAYDEN: Yes. It has a lot of implications.

Dr. EATON: If it was valued at more than that he has had something that he was not entitled to.

Hon. Mr. HAYDEN: No, he has not had anything. He has not sold the property nor has he given it to any person who would realize a gain on it, but he has made a gift to an organization for charitable purposes.

Mr. GAVSIE: He would be giving an amount equivalent to the fair market value of the property. That is what he would claim as a charitable deduction; he certainly would not claim the depreciated value. Suppose the property stood on his books at \$1, he would not claim that that was the value.

Hon. Mr. DUTREMBLAY: Under this new scheme, if a man sells a property at a profit, he is taxed on that as if it were ordinary revenue.

Mr. GAVSIE: No, only to the extent that he has claimed allowances under the Act since 1949.

Hon. Mr. CAMPBELL: I move that paragraph (e) be carried.

Mr. GAVSIE: This refers to the case of a doctor's office; in other words, part of his home is used for personal purposes and part for business.

Hon. Mr. HAYDEN: Is it not the practice now to depreciate in relation to the property used for carrying on business?

Mr. GAVSIE: Yes.

Hon. Mr. DUTREMBLAY: I did not quite understand your answer to my question.

Mr. GAVSIE: Supposing a property cost \$100, and the owner took allowances since 1949 of \$50, leaving a balance of \$50. He then sells the property at \$150; it cost him \$100; and \$50 is capital profit. We do not touch that. We look at the amount to see how much allowance he has taken since 1949, and it turns out in this case to be \$50.

Hon. Mr. VIEN: That is deducted.

Mr. GAVSIE: That is put in the group, if there is a group; it is the allowance he has taken. If he has taken no allowance then there is nothing to write back. In the illustration I gave the property cost \$100, and if the owner chose not to take any allowance, and then sells the property, there is nothing to write back.

Hon. Mr. DUTREMBLAY: Under the present regulations, if he took the allowance, he would keep the profit just the same.

Mr. GAVSIE: That is right; that is the change. He now brings it back, but before if the property cost him \$100, and he took an allowance of \$50, there was \$50 remaining after depreciation. Now, should he have to sell the property for \$25, under previous legislation he would suffer a capital loss of \$25 for which he could get no relief tax-wise. Under this provision, if he were to sell the property for \$25 he would have a loss of \$25 which he could recover. On the one hand you pick up what you have taken, and on the other hand provision is made for recovery of what you have not taken.

Hon. Mr. CAMPBELL: I move that paragraph (e) be carried.

Hon. Mr. VIEN: Is this scheme in operation elsewhere?

Hon. Mr. HAYDEN: Yes, in England.

The CHAIRMAN: Paragraph (e) carried.

We now come to paragraph (f).

Hon. Mr. HAYDEN: Here we have a change in the language; it says "for other purposes". Why should it not read "for some other purpose" if there is some charm in that connotation; here it was apparently decided to throw it overboard.