

Sir THOMAS WHITE: If this special provision were not made the department could not allow an amount for exhaustion. In the present Act provision is made in the case of mines.

For example, if you simply take all the revenue from a coal mine, on the one hand, and deduct all the expenditures on the other, the net income that will be derived will be too great, because you have made no allowance for the exhaustion of capital, so to speak, from taking out the coal. The principle in the case of timber is precisely the same. The reason why we are inserting this provision in the Act is that there is no provision in the present Act relating to timber and the wastage of the property. We have legislation which enables us to allow for the exhaustion of mines and oil wells.

Sir HERBERT AMES: In the original Income Tax Act there are two clauses which allow for exemption—clauses 3 and 5. We have been dealing with clause 3. I do not see that clause 5 is dealt with at all, but it relates to exemptions. I would like to make a few observations with regard to a matter that I desire to call to the attention of the Minister of Finance (Sir Thomas White). Paragraph (j) of clause 5 provides that:

The military and naval pay of persons who have been on active service overseas during the present war in any of the military or naval forces of His Majesty or any of His Majesty's Allies.

—shall be exempt from taxation. I would like to put in a plea for the same provision with respect to the pension that may be awarded to the widow of a man who has been killed in service, or afterwards, or the pension that is derived by a person who is disabled. It is quite possible that there may be a little other revenue in addition to the pension. If the widow of a colonel or a major has an income derived from life insurance, her pension income and life insurance income might bring the amount up to the point where a portion of her income would be taxed. I think the principle having been once adopted that the military pay of persons engaged in the war should not be taxed, the same principle should be applied to pensions and disablement allowances. Strictly speaking, the Government simply pays with one hand and takes back with the other. As these deserving people will have to live mainly upon the pension allowance, I do not think this Government should exact from them sums that might otherwise be properly collectable, and I

[Mr. Cahill.]

would ask the minister, when the Bill comes down, to please include a clause to that effect.

Mr. LEMIEUX: I wish to support with all my heart the proposal or suggestion made by my hon. friend from St. Antoine (Sir Herbert Ames). I think that just as the military pay was placed beyond the reach of the tax collector so ought the pension paid to the widow. As my hon. friend says, that pension at the present time, until further amendment—and I hope amendment may come—is small and gives the recipient just the bare necessities of life. Under these circumstances I would certainly support any amendment which would provide for an exemption in favour of the widow who receives a pension.

Sir THOMAS WHITE: I am disposed to regard very favourably the suggestion put forward by the two hon. members. The hon. member for St. Antoine (Sir Herbert Ames) had drawn the matter to my attention and it strongly appeals to me. It is not necessary to make any amendment to the resolution, because it is open to us, when the Bill is in the committee stage, to extend the exemptions by cutting down and not adding to the burdens of taxation. I will have a note made of the suggestions and get an appropriate amendment to the Bill when it is in the committee stage.

Mr. PEDLOW: There is another matter that possibly I might call to the attention of the minister. One of the provisions in regard to making up the schedule that the department requires is that no deduction shall be made in the case of a merchant for bad debts that have occurred outside of the accounting period. If there are no transactions within the year it will not be permitted to be deducted in the statement in order to determine the actual incomes of the merchant. That is a very exacting provision. It is hardly fair, because in many cases amounts are carried from one year to the succeeding year in the hope that it may be collected before the current year ends. If that requirement were followed out it would impose a hardship in many cases. There should be some more elastic ruling in a matter of that kind.

Sir THOMAS WHITE: The ruling applies only to bad debts incurred prior to the Act coming into effect, 1st January, 1917. These debts were treated as capital at the time the Act commenced to have effect. It would, I think, be unwise to consider bad