

honourable friend should purchase a farm and should incur a loss which would absorb his whole income as a lawyer, he could not say, "I have no income."

Hon. Mr. DANDURAND: I am not criticizing that feature of the law, although I think it is absolutely unsound. I would rather my honourable friend would address his illustration to the honourable gentleman from De Salaberry (Hon. Mr. Béique), who has a few hundred acres of land and is doing some farming, although practising law. But I cannot understand how my honourable friend can say, if I earn \$10,000 a year at my profession and lose it on my farm, that at the end of the year, when I present a statement showing that I have not made a cent but am living on credit, the King can come and draw blood out of a stone. But that is not my question. The question which I am now putting is in order to ascertain whether in this illogical state of affairs, there is a logical converse proposition. My losses are not to be deducted from the income from my main business. I think that is illogical; but *dura lex sed lex*. But suppose I make a gain of say \$5,000 on the transaction, is it reached by the Act?

Hon. Sir JAMES LOUGHEED: Yes. You have increased your income by that amount.

Hon. Mr. DANDURAND: Although during the preceding year I lost exactly the same sum and was taxed on the loss.

Hon. Sir JAMES LOUGHEED: Yes.

Hon. Mr. MURPHY: If I lose on the goods in my store, am I supposed to be taxed on that loss?

Hon. Mr. SMITH: That is exactly the case of a business corporation under the Business Profits War Tax. They may lose year after year, and suddenly they come to a year when they make a profit, and they have to pay a tax.

Hon. Mr. CROSBY: The taxes are on the same principle.

Hon. Sir JAMES LOUGHEED: Otherwise you could not determine what the Income Tax would be.

Hon. Mr. GORDON: Is it intended that clause 2 shall apply to a loss of capital?

Hon. Sir JAMES LOUGHEED: This simply has to do with the income.

Hon. Mr. GORDON: It would have everything to do with capital. Suppose you invested \$10,000 last year in your own line

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of business, and sold out this year for \$2,000, there would be a straight loss of capital.

Hon. Sir JAMES LOUGHEED: You cannot take last year into consideration at all. The question is, what is your income this year?

Hon. Mr. GORDON: You invested \$10,000 last year in your own line of business, and this year that business is closed out and you get back \$2,000 in place of the \$10,000 which you invested.

Hon. Sir JAMES LOUGHEED: It depends on what your income on that \$2,000 would be.

Hon. Mr. GORDON: There was no income. You get \$2,000 of your capital returned instead of getting \$10,000 and some profit.

Hon. Mr. MURPHY: The mill blew up.

Hon. Sir JAMES LOUGHEED: It depends on what your income is. You have to say what it is.

Hon. Mr. GORDON: I want to find out if it is the intention to allow on that capital lost?

Hon. Sir JAMES LOUGHEED: No, there is no allowance.

Hon. Mr. BOSTOCK: I think this clause would read better if it said, "but the minister shall have power," etc., instead of "and the minister shall have power."

Hon. Mr. CROSBY: No, that is all right. That is good law.

Section 2 was agreed to.

On section 3—dividends or shareholders' bonuses:

Hon. Mr. BOSTOCK: What has been the policy with regard to this? I see that this is one of the clauses that do not come into effect until next year.

Hon. Mr. DANDURAND: Does this apply to dividends declared at the end of the year and paid at the beginning of the next year?

Hon. Sir JAMES LOUGHEED: This comes into force on the 1st of January, 1921.

Hon. Mr. BELCOURT: Dividends would not be taxable until they were paid?

Hon. Sir JAMES LOUGHEED: No.

Hon. Mr. BOSTOCK: What change has been made?