

Income Tax

appropriate clauses and put the amendments to those clauses. Then we can revert to clause 6(5). Is that agreed?

Mr. Stevens: That would be agreeable to us, Mr. Chairman on the understanding, which I take it I do not even have to express, that the clauses themselves will still be subject to debate later in committee of the whole session, as amended.

Mr. Chrétien: Agreed.

The Chairman: That is understood. The question is on the amendment to clause 6(5), by the Minister of Finance, as put to the committee yesterday. Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Chrétien) agreed to.

The Chairman: By unanimous consent, the committee will go to consideration of clause 23(2). It is moved by Mr. Chrétien:

That clause 23(2) of Bill C-11 be amended by striking out line 6 on page 35 thereof and substituting the following:

"of the government of Canada relating to home insulation by"

The Chairman: Shall the amendment carry?

Amendment (Mr. Chrétien) agreed to.

The Chairman: By consent, the committee will move to clause 115(1). I will put to the committee the amendment moved by the minister. It is moved by Mr. Chrétien:

That clause 115(1) of Bill C-11 be amended by striking out line 8 on page 210 thereof and substituting the following:

"the government of Canada relating to home insulation for the pur-"

The Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Chrétien) agreed to.

The Chairman: The committee will revert to consideration of clause 6 as amended.

Mr. Stevens: Mr. Chairman, clause 6 states that the taxation year shall be referred to as a fiscal period. I wonder if the minister could explain why we need this complicated terminology in the Income Tax Act. We use the term "taxation year" in various provisions, and then for some reason it is defined as the "fiscal year" or "fiscal period". Would it not be simpler to use one term, rather than have a definition clause to explain a term that the drafters in the first place presumably wanted to read as "fiscal period"?

● (1542)

[Translation]

Mr. Chrétien: Mr. Chairman, I can give no special reason. Naturally, we are dealing here with the terminology used by those who drafted the bills. I too, like the hon. member, would prefer more simple terminology. It seems, however, that the people who draft the bills are constantly up against special problems which are difficult to explain.

[The Chairman.]

[English]

Mr. Stevens: Mr. Chairman, perhaps while the minister is taking counsel on my first question he could consider the second question which is dealing with subclause (2) of clause 6. The committee should have an explanation as to why this amendment is being requested. It deals with the acquiring of property, its disposal and replacement thereof, including such things as stolen property and various options open to a taxpayer. If the minister could describe to the committee the purported thrust of this suggested amendment, it would be helpful.

Mr. Chrétien: Mr. Chairman, perhaps I could read the explanation into the record for the committee. When a depreciable asset is disposed of for proceeds which exceed its undepreciated capital cost, a recapture of the depreciation allowed in previous years may occur. The special roll-over rule eliminates this recapture to the extent that the proceeds are reinvested in a replacement property. Under a roll-over, the profit is not exempted; the tax is simply deferred until the replacement property is disposed of. Under the present rule, amounts received on expropriation of property receive the roll-over treatment if replacement assets are acquired within two years.

There are two important amendments to the present rules. The roll-over is extended to voluntary replacements of certain business and farm properties. To qualify, the property must be real property and the replacement must be acquired before the end of the year following the year of sale. In addition, the existing rules are extended to property that has been stolen.

We spent some time the other day discussing that matter in the committee. If the hon. member has a specific question, perhaps he would like to ask it.

Mr. Stevens: Some of my colleagues are quite concerned about the roll-over provisions, especially in relation to farm properties and smaller businesses and, in particular, why there is not more latitude with respect to corporate farms and corporate small businesses. Perhaps the easiest way would be for the minister to answer a few questions from my colleagues. Hopefully, he could suggest further amendments, or satisfy my colleagues.

Mr. Hargrave: Mr. Chairman, I would like to remind the minister of the comments I made during second reading debate on this very important bill. I spoke on November 17 on two aspects. One was the roll-over provision for incorporated small businesses, but especially including family farms; that is, from one generation to another. In the latter part of my speech I mentioned the possibility of an income tax deferral for the drought areas of southern Alberta and southwestern Saskatchewan. On the latter point I have written several letters to the former minister of finance and, of course, to the present minister.

My point regarding the roll-over provisions regarding capital gains tax on incorporated family farms was that because of the tremendously high capitalization now, seven years after the capital gains tax came into being—that is, after January 1,