

Mr. GAVSIE: May I ask a question. During the years he took depreciation he had income from the property but had he not taken the depreciation he would have paid tax on it, so instead of paying a tax he takes this amount of depreciation. Is that the case?

Hon. Mr. MORAUD: No. Let me put it this way. We have a lot of these people in my city. Let us remember that many French Canadians do not know much about bonds or stocks. Perhaps you read in the newspaper recently that a man in Montreal had \$100,000 hidden in a pail. There was a hold up but the fellows made a mistake and took the wrong pail, so the man kept his \$100,000.

Hon. Mr. MORAUD: These people come to the city from farms, raise large families and buy themselves a house with a couple of tenements. They do not get any interest on the money that they invested in the property, but they are allowed to write off depreciation at $2\frac{1}{2}$ or 5 per cent a year. Well, when a man sells a property after he has held it for some years, the department can come along and say: "You have written off two and a half or five per cent every year while you have owned this property and you have depreciated it by \$5,000. Now you have to pay a tax on that \$5,000, and you have to pay it all in one year." Well, that will discourage people from investing in real estate.

Hon. Mr. BURCHILL: Mr. Chairman, I think this has been a most interesting morning. After having listened to the discussion in the Senate yesterday I came here feeling very much opposed to sections 7 and 8 of the bill, but after listening to the clarification which has been given by the departmental officials I am inclined to think that the proposed new method is not as bad as we think it is, and that if we were more familiar with it we would perhaps like it. I have been thinking about the effect that it would have on not only small property owners such as Senator Moraud has in mind, but on small businessmen and primary producers, who in our section of the country are most important. It seems to me that if they became familiar with what the department is proposing they would like it. I say that for this reason. In our section of the country we do not make profits in business every year. In fact, there are many years when we operate at a loss. And as I understand the provisions of this section, it would be optional with the businessman to charge depreciation or not, as he wished. If a businessman had a tough year he would not be obliged to charge depreciation. Indeed, after listening to the explanations that have been given here, it seems to me that a man might be asking for trouble by charging depreciation, and that if he can get along without charging depreciation he will be better off. So this might appeal to the young man starting out in business, the fellow we want to encourage, because at the start he would not have to set aside any reserves for depreciation. I think it would also appeal to the primary producers and to all businessmen who are not sure of making a profit every year.

The difficulty is, as one of my colleagues here has said, that the proposed method is so abstruse that we cannot understand it. It has taken me, and I am sure many of us, several hours to see just what is intended. I think it would be highly beneficial if we could get the idea behind the system across to people in businesses, both small and big, and get their reaction to it, for I am quite sure that Canadian businessmen as a whole are not familiar with what is proposed in these regulations. While I am in favour of the new scheme and think it will work out for good, I would suggest that until business people are able to familiarize themselves with it and express their reactions, it would be most beneficial to postpone enforcement of the regulations for the time being.

The CHAIRMAN: In view of our difficulty in understanding the principles involved in sections 7 and 8 and in their application, I thought it desirable to ask the minister to come in. Perhaps it would be well to suggest that he devote any explanation that he may care to make to these two sections.