

to the minister to be reasonable. The minister's discretion is absolute. There is nothing to prevent him from making A pay \$10,000 and B \$20,000, or from saying: "We will allow you a certain amount for depreciation, and you we will not allow such and such amount." The section goes on:

—and to be properly attributed to the accounting period.

Supposing that a company liable to this tax, before ever there was any notice of this legislation, had in all good faith, within its accounting period, decided to expend a very large amount of money to rebuild their whole plant; or, being sufficiently ahead, had decided to employ some system for advancing their business which would involve the expenditure of a very large sum of money; suppose all this had occurred before the Finance Minister was given this power, do I understand that under this section it will be open to him to revise the decision of that company, a decision which was arrived at a year before this taxation measure was brought down? Will the minister have the power to say: "We will not allow you to take into consideration the amount of money you voted in 1915 for this, that or the other purpose, because you should not have devoted your profits to that purpose in that particular year." In other words, will the minister have the right to set aside the decision that the board of directors, or the members of a partnership, made a year ago? I should also like to know the minister's definition of "otherwise in respect to the trade or business."

Sir THOMAS WHITE: If my memory serves me correctly, this section is taken from the English Act. Its purpose, I think, is obvious. In the administration of this Act it is not intended that there should not be a proper allowance for depreciation, or for expenditure on renewals, or for the development of a trade or business, or deduction otherwise in respect to the trade or business. The purpose of this section is to prevent those who might desire to evade the Act, by reducing the amount of their net profits which are taxable under the Act, from writing off an undue amount for depreciation, or for expenditure of a capital nature for renewals. It has been stated on more than one occasion by myself in committee that we recognize that allowance should be made for depreciation and renewals. My hon. friend says that sup-

[Mr. Macdonald.]

posing last year before any one could imagine this Act was coming down, the board of directors of a company set aside a certain fund for renewals, or had written off a certain amount. Then he says: "Would the minister disallow that? How would he deal with that?" Well, I should say that in all probability it would be allowed. It would not necessarily be allowed, but in the administration of the measure it would prima facie be taken to be correct, because the board of directors would have no motive except that of dealing with their business in a businesslike manner in writing off a certain amount for depreciation or for renewal.

Power must be given to the department to prevent an undue amount being allowed for depreciation; but it will be very improbable that unreasonable or high-handed action will be taken in a matter such as he has in mind, and that in the ordinary course the action of the directors would be very strong presumptive evidence that what they did was the proper thing to do.

My hon. friend has stated that the minister is to have discretion as to the percentage to be allowed for amortization in the case of mines. That is true, and I agree with him that, so far as it is possible to have legislation clear and definite, it is advisable to make it so, in order that as little as possible may be left to the discretion of a minister or department. In the nature of things, however, where facts have to be determined, that is not always possible. Take the case of the assessment of real estate values in Canada. There is nothing about which men differ more than the value of real estate, and yet the assessors of municipalities have to place a certain value upon this or that piece of real estate according to their judgment. In cases of assessment, the appeal is to the court of revision or to the county judge. All the matters to which the hon. member has referred are matters of fact, to be determined, as the department may be able to determine them, in carrying out its duties, with the intention of dealing fairly by the public and by the parties themselves.

Mr. McCREA: The matter of depreciation and exhaustion is one that must be left very largely to the discretion of the minister. There is no fixed rule that will apply to every investment; some are of a permanent nature and some are not. That