

the minister as to the reasonableness of the rate of interest or as to the reserve for bad debts, the parties must go to the Income Tax Appeal Board. Where is the reference in the bill to that provision?

Hon. Mr. HUGESSEN: My honourable friend misunderstood me. What I meant was that if the minister and taxpayer disagree, the minister has no discretion to fix the amount of bad debts; and if they cannot agree on an amount, the question can be referred by either party to the board.

Hon. Mr. HAYDEN: But where does one find the section providing for that reference to the board?

Hon. Mr. HUGESSEN: The general section which says that a taxpayer may appeal any decision of the minister.

Hon. Mr. HAYDEN: That is an appeal on an assessment.

Hon. Mr. HUGESSEN: Yes.

Hon. Mr. HAYDEN: But the assessment is part of the minister's decision, is it not?

Hon. Mr. HUGESSEN: I suppose it is, yes.

Hon. Mr. HAYDEN: So the minister makes a decision as to the reasonableness in the first instance.

Hon. Mr. HUGESSEN: Yes. He can make that decision, but it is not final; and the taxpayer may go to the board. In other words, the ultimate and absolute discretion of the minister is abolished.

We heard a good deal in the special committee on the question of allowance for depreciation. Honourable senators will remember that the present Act puts it in a negative form. Subsection 1 (n) of section 6 of the Act provides that no deduction from income shall be allowed for depreciation,

... except such amount as the minister in his discretion may allow ...

Two objections to that provision were raised before the special committee. The first was that it was stated in a negative way, when in fact depreciation is well recognized the world over, and the taxpayer should have a positive right to a reasonable allowance for it. The second objection was that that section left complete discretion to the minister, who, theoretically, might favour one taxpayer at the expense of another, and it was contended that in any event there were no published rules or regulations showing just what amount of depreciation should be allowable for any particular class of the goods or articles. That point is dealt with in the new bill, under section

11, subsection 1 (a), by which it is provided in positive terms that the taxpayer may deduct,

... such part of the capital cost to the taxpayer of property, or such amount in respect of the capital cost to the taxpayer of property, if any, as is allowed by regulation.

There are two observations to be made about that. In the first place, as I have pointed out, it is stated positively, as a right of the taxpayer to depreciation; and in the second place it provides for the fixing of depreciation allowance by regulation. Mind you, it is a regulation made by the Governor in Council. In other words the minister is no longer free to determine at his whim or caprice the depreciation in each individual case. In future, general rules governing depreciation allowance applicable impartially to all cases will be made by the Governor in Council, and will be published for all to see.

There are many other cases in which the minister's discretion has been got rid of; but these, I think, will be sufficient to indicate to honourable senators the methods that have been adopted for that purpose. Generally speaking, I think we can state that the objections which have been made to the wide discretionary powers conferred upon the minister by the present Act have been fully met in the present bill, and to that extent the object of the Senate committee has been achieved. In fact, the question has been raised whether this bill does not go a little too far; whether, in an attempt to get away from ministerial discretion, we have not sacrificed to some extent the flexibility which ministerial discretion has sometimes permitted, and thereby made the Act a little too rigid. On that point I think we can only say that we shall have to learn by experience after the new bill comes into force and has been in operation for some period of time.

Hon. Mr. DAVIES: I do not like to interrupt the honourable gentleman, but I should like to know if the provisions of the bill apply to assessments for, let us say, 1945 and 1946, which have not yet been completed and returned. Suppose there is disagreement about these assessments; when the decision of the department is communicated to the taxpayer will he have the right of appeal to this new board?

Hon. Mr. HUGESSEN: No. As I read the bill, the board and the powers of the board will be effective only with respect to 1949 and subsequent taxation years.

I have almost reached my conclusion. I have attempted to relate this bill to the work of the Senate committee, and to show that in