

On section 52—Income Tax Appeal Board and Exchequer Court Appeals.

Dr. EATON: The purpose of this section is to make it clear that we have one Income Tax Appeal Board. It will be remembered that the Income War Tax Act provided for a Tax Appeal Board, and that the new act passed last year also provided for a Tax Appeal Board.

Hon. Mr. HAYDEN: I raised the point last year that this provision should be in the act, but the minister said it was not necessary. There must have been a change of mind.

Mr. GAVSIE: We get wise after the event. The government did not see fit to pay two sets of salaries.

Hon. Mr. NICOL: What happens to any cases that were pending before the other board?

Mr. GAVSIE: They will be taken care of. We are not affecting any rights at all; the section simply consolidates the Appeal Boards. The provisions for appeal are not affected in any way, but all appeals will be made to the one board. The board deals only with assessments from 1946 on.

Section 52 was agreed to.

On section 53 (1), —deductions from income of corporations in petroleum business.

Dr. EATON: This section is the renewal of the write-off concessions to mining and oil companies with respect to exploration and development expenses.

Hon. Mr. HORNER: This provides a tax concession to oil men?

Dr. EATON: That is right.

Hon. Mr. HORNER: Is it new?

Dr. EATON: No sir. The provision was first enacted during wartime to encourage production of strategic materials and it has been renewed annually ever since.

Hon. Mr. HAYDEN: This is prospective to and including the year 1952.

Dr. EATON: That is so. The companies complained that renewal for a year only did not give them time to plan their programs.

Hon. Mr. HAYDEN: This is very necessary, having regard to our mining and oil development.

Dr. EATON: It may be.

Subsections (1) to (7) inclusive, of section 53 were agreed to.

On subsection (8)—expenses deductible.

Hon. Mr. PATERSON: What is the effect of this, Mr. Chairman?

Hon. Mr. HAYDEN: It entitles mining and oil companies to charge off expenses incurred directly or indirectly in searching for minerals.

Dr. EATON: And it does not matter whether the mine or oil well is successful or not. Briefly, the position used to be this. If a mine was discovered or an oil well came in there was income created against which pre-production expenses could be charged. If, however, the exploration was off property and was unsuccessful that is regarded as a capital expenditure not related to the earning of any particular income, and is disallowed. This section, in effect, says no matter where you explore off property the exploration expenses in any development work done in any part of Canada can be taken into account and charged to profits.

Hon. Mr. PATERSON: All in one year?

Dr. EATON: If the profits are not large enough to absorb all the expenses in one year, they may be carried forward.