

Hon. Mr. HAYDEN: Are you prepared to make a statement that it does not?

Mr. GAVSIE: I am in the most unfortunate position because the regulations have not been passed by the Governor in Council. All I can tell you is that the matter has been discussed, and that the agreement amongst all the people charged with working this out is as I have outlined. Would you leave that question until we get the regulations out? I can only give you my explanation.

Hon. Mr. VIEN: No, we cannot leave it. We do not want to embarrass the officers of the department in any way, but there is one thing we want to know. We want to understand the meaning of the Act, which we are called upon to enact. Your regulations in the sphere you have just outlined, cannot go beyond the terms of the statute. We are finding that the statute, in our humble opinion and as far as we can construe it, would have an effect like the one that has been pointed out to you. If that is not correct, then the bill should be clarified so as to make it abundantly clear, because you cannot go beyond the statute in respect to legislation. It would seem to us that inasmuch as when a man dies, you question his returns for income tax. You very often re-open and re-assess his income tax for one, two, three or four years. Here is a case of a man who dies. The executor is obliged to sell a piece of property. He has the piece of property valued at \$10,000. He has received \$2,000 for depreciation. The executor sells this at \$12,000, and then in terms of section 20, it would seem to us at first sight—and we want to understand it because we are from Missouri and want to be shown—that the department could tell the executor, "Look here, the deceased had this piece of property. It was valued at \$10,000. We allowed \$2,000 as depreciation. That depreciation of \$2,000 has been taken out of his taxable income. Now, you have sold that piece of property for \$12,000, indicating that indeed you have suffered no depreciation—that the deceased suffered no depreciation. We want to recapture that depreciation". That is exactly the question that was put. We want to be shown whether or not your section 20 would enable you, by regulation or otherwise, to say no in the case of a deceased. I should like an answer to this question.

Hon. Mr. MORAUD: I just want to say a word on this point. We are in the unhappy situation where we do not have before us the bill as passed by the House of Commons. On top of that, Mr. Gavsie speaks constantly of regulations that will practically amend the bill. In your regulation you give an interpretation of the definition of the word "event", and there is no doubt that it will be an amendment to the bill. I contend that in my province the death of a person is certainly an event that transfers property just as much as any other transaction. So that event, the death of a person, is certainly a transfer of property in my province.

Mr. GAVSIE: I am afraid you have misunderstood me. I said that the disposition of property includes an event entitling the taxpayer to the proceeds of disposition of property. I do not think you can just say it is an event by which property is transferred. I do not think that the passing by disposition of a will or by the rules of law is an event which entitles the taxpayer to the proceeds of disposition of property.

Hon. Mr. VIEN: What would be the nature of an event? Is not a deed of sale an event entitling the taxpayer to the proceeds of the disposition of a property?

Mr. GAVSIE: Yes. "Proceeds of disposition" of property include the sale price of property that has been sold, compensation for property damage, destroyed, taken or injuriously affected—

Hon. Mr. VIEN: Where do you find that?

Mr. GAVSIE: In the very next definition, on page 6 of the bill.

The CHAIRMAN: Would that not apply to a sale by an executrix or trustee of an estate?