

Hon. Sir JAMES LOUGHEED: If it represents profits made since the Act came into force, then it is taxable.

Hon. Mr. BOSTOCK: This Bill seems rather peculiar in one respect. It is made retroactive and there are different dates at which various clauses shall come into effect. I would ask the honourable leader of the Government to indicate regarding each clause when it is proposed to make it effective. I think I am right in saying that this first clause with regard to stock dividends goes back to 1917?

Hon. Sir JAMES LOUGHEED: Yes.

Hon. Mr. BOSTOCK: It is rather difficult to understand exactly what is the date on which each clause is to take effect.

Hon. Sir JAMES LOUGHEED: Since the Act came into force the Department has given effect to the interpretation which is here stated more clearly. This is simply declaratory of the interpretation that the Department has always given to the Act. It is not introducing a new element for taxation.

Hon. Mr. BOSTOCK: It really makes no change at all in the administration?

Hon. Sir JAMES LOUGHEED: No, it is simply declaratory.

Hon. Mr. GORDON: I desire to ask a question as to the effect of this. These stock dividends, if assume, can be taken only from a surplus. If that surplus is left it is entitled to be treated as capital.

Hon. Mr. MURPHY: No.

Hon. Mr. GORDON: Yes.

Hon. Mr. SMITH: Not necessarily.

Hon. Sir JAMES LOUGHEED: That question does not apply to the Income War Tax at all; it applies only to the Business Profits Tax.

Hon. Mr. MURPHY: Some honourable members may not be conversant with this matter. In my return I inserted something which affects everybody in this Chamber and in the other House as well. I put in as an exemption \$1,000 for the extra cost of living at Ottawa and for the performance of my duties during the Session, and my good friend to the right (Mr. Breadner) writes and says he might allow me \$10. I think he is probably a little parsimonious in his judgment. It is just as reasonable that I should get that exemption as that an allowance should be made for the wear and tear of my house. This is an expense in-

curred in the performance of my duty, and there should be an exemption for everything that pertains thereto.

Section 1 was agreed to.

Hon. Mr. DANDURAND: Clause 2 of the Act of 1919 states:

Deficits or losses sustained in transactions entered into for profit but not connected with the chief business, trade, profession, or occupation of the taxpayer shall not be deducted from income derived from the chief business, trade, profession or occupation of the taxpayer in determining his taxable income.

And the addition here is:

—and the minister shall have power to determine what deficits or losses sustained in transactions entered into for profit are connected with the chief business, trade, profession or occupation of the taxpayer, and his decision shall be final and conclusive.

I should like to know if the converse would be true. Would losses sustained in transactions entered into for profit, but not connected with the chief business, be deducted from the income?

Hon. Sir JAMES LOUGHEED: It would depend upon the nature of the transaction.

Hon. Mr. DANDURAND: I am speaking of an exactly similar transaction. I buy a stock on margin, or pay in full for it. It goes down in value and I sustain a loss, and in virtue of this Act I cannot deduct the loss from my income. Then take the other case. I buy a stock and it brings me a profit. Does that go to increase my income on which I pay a tax?

Hon. Sir JAMES LOUGHEED: If my honourable friend were a stock broker it would, but as he is not a different rule would apply. That, as I understand it, is the principle upon which the income is determined.

Hon. Mr. DANDURAND: I mentioned a stock transaction as an illustration; I could mention many others, for instance, a real estate transaction. If a man is not a real estate agent or a broker, and goes into a real estate transaction, and sustains a loss, he cannot deduct that loss from his income. If that transaction brings a gain, does it affect the tax?

Hon. Sir JAMES LOUGHEED: My honourable friend will, I think, appreciate the fact that if he were permitted to go into many side businesses and speculations he might destroy the whole of his income and render it unrealizable upon for taxation; consequently it is necessary to prohibit anything of that kind. That is to say, if my