

Hon. Mr. HAYDEN: Well, it might have a higher fair market value at the time he turns it in.

Mr. GAUSIE: Yes.

The CHAIRMAN: Shall paragraph (b) carry?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Now we come to paragraph (c).

Hon. Mr. HUGESSEN: That seems to me to be the answer to the question raised this morning by Senators Vien and DuTremblay.

Hon. Mr. HAYDEN: No, because this is where a taxpayer has acquired property by gift, bequest or inheritance. They were dealing with situations where the executor was selling in the course of administration. This is a different situation.

Hon. Mr. HUGESSEN: From an executor selling property?

Hon. Mr. HAYDEN: Yes. The executor would be making a sale in the course of administration.

The CHAIRMAN: This would apply to the heir of the estate?

Hon. Mr. HAYDEN: Yes.

Mr. GAUSIE: There might be love and affection and reasons giving rise to the property being bequeather. He cannot establish by cheque that he has paid so many dollars for the property, but he can nevertheless depreciate it at fair market value.

Hon. Mr. HUGESSEN: And the depreciation taken by the deceased goes out the window?

Mr. GAUSIE: Yes.

Hon. Mr. HAYDEN: That is why I am all in favour of it.

The CHAIRMAN: Shall this paragraph carry?

Some Hon. SENATORS: Carried.

The CHAIRMAN: We come now to paragraph (d).

Hon. Mr. HAYDEN: This is the reverse. This means that if I have depreciable assets in my hands and I give it away otherwise than by will, I shall be deemed to have disposed of it at the time as a gift at its fair market value.

Otherwise there is a wide-open door if the person sells and is obliged to bring in any depreciation that he may have recovered.

Hon. Mr. HAYDEN: If I make a gift gratis of a depreciable asset to some person, in my lifetime, you say that so far as I am concerned the fair market value of the asset is to be determined at that time, but if the fair market value is at least equal to my capital cost as at January 1, 1949, the recapture provision will apply to any depreciation that I have taken?

Mr. GAUSIE: Yes, and the donee sets up the property at fair market value for depreciation.

Hon. Mr. VIEN: But why should the donor be obliged to add to his taxable income the difference between the purchase price, as set out on the 1st of January, 1949, and the market value at the time he gave the property away?

Hon. Mr. HAYDEN: After all, what is given is the depreciated capital value of the property. Why should not the asset in the hands of the recipient carry a capital value equal to the depreciated value at the time of the gift? Why should a man have to pay a tax on some part of the depreciation? Why not have the continuity of the depreciation preserved?

Hon. Mr. NICOL: If your suggestion were followed it would defeat the object of the law. If a man sells a property he has to pay a tax, so why should he not have to pay a tax if he gives the property away?