

THE SENATE

Wednesday, March 1, 1950

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers and routine proceedings.

PUBLIC LANDS GRANTS BILL

THIRD READING

Hon. Mr. Robertson moved the third reading of Bill B, an Act respecting Grants of Public Lands.

The motion was agreed to, and the bill was read the third time, and passed.

SPEECH FROM THE THRONE

ADDRESS IN REPLY

The Senate resumed from yesterday the consideration of His Excellency the Governor General's speech at the opening of the session and the motion of Hon. Mr. Golding for an Address in reply thereto.

Hon. W. M. Aseltine: Honourable senators, it was not my intention to take part in this debate prior to our adjournment, so consequently I am not as well prepared to speak as I might otherwise have been. However, there are one or two matters which I wish to bring to the attention of the house at this time, so that the government may take some action with respect to them.

First of all, I wish to say that I was delighted with the speeches of the mover (Hon. Mr. Golding) and the seconder (Hon. Mr. Veniot) of the Address in reply to the Speech from the Throne; they were very interesting and well in keeping with the traditions of this chamber.

Yesterday I was somewhat amazed by the statement of the honourable gentleman from New Westminster (Hon. Mr. Reid) about what he called the "painted" fish from Manitoba. If the leader on this side of the house (Hon. Mr. Haig) were present, I am sure he would have some remarks to make about these fish. No doubt the honourable gentleman was referring to that famous fish known as the Winnipeg goldeye. Now, until it is treated, the goldeye is just an ordinary fish. What form the treatment takes I do not know, but I think that when cured it is just about the finest fish in the world.

Some Hon. Senators: Hear, hear.

Hon. Mr. Aseltine: Whenever I am on the train in the vicinity of Winnipeg I take great pleasure in ordering goldeyes, if they are on the menu.

I should like now to place on the record some information which I obtained yesterday at the Banking and Commerce Committee when the Unemployment Insurance Bill was being considered there. The total of contributions made to the Unemployment Insurance fund by employers and employees in 1949 was \$98 million. In addition, the government contributed one-fifth of that amount, making a grand total of contributions of about \$120 million. But I was shocked to find that the cost of administering the Act was \$17 million. That is approximately 15 per cent of the total contributions made by the public and by the government. Surely this is something that might be inquired into by one of the Senate committees which are being set up to consider departmental estimates. Of course, the \$17 million was paid, not out of the fund but out of consolidated revenue account. It is expected that the 1950 contributions by the public and the government will amount to \$150 million, so honourable senators will see that unemployment insurance is one of the big businesses carried on in this country.

My chief purpose in speaking today is to deal with some phases of the Income Tax Act. A short time ago the Income Tax Appeal Board brought down a decision in the case of Reinhorn versus the Minister of National Revenue. I am not criticizing the decision in any way; in fact, I think the decision is correct, having regard to the way in which the relevant section of the Act now reads, but it will have a tremendous effect upon the economy of the western provinces.

Let me give a brief summary of the facts of the case. Reinhorn purchased a service station and garage property from the McColl-Frontenac Company for \$50,000 of which \$10,000 was to be interest. When Reinhorn filed his income tax return for the year he deducted \$1,385 for interest paid on his agreement for sale. Ordinarily that was a proper deduction, as we interpreted the Act. The same procedure was followed by, for instance, a purchaser of land who bought on a deferred payment plan. In his income tax return he would include as part of the cost of earning the income for the year the interest paid on the agreement for sale. In the Reinhorn case the appeal board decided that the amount involved was not borrowed money at all, and that under sub-section 1 of section 5 of the Act the deduction could not be allowed.

Mr. Monet, a member of the board, gave the decision, and a similar decision was given by Mr. Fisher. I should like to read from the report, as follows:

To benefit from the provisions of section 5 (1) (b) of the *Income War Tax Act*, the interest referred to in this section must have been paid in connection