about depreciation, for I honestly think that the amendment is the thin edge of the wedge —the beginning of an attack on capital gain. I cannot see it in any other way.

If this bill passes, why would a person invest in a house or other residential property that he intended to rent? In the past one of the great inducements to an investor was the allowance of annual depreciation—on a brick or stone building at the rate of $2\frac{1}{2}$ per cent, and on a frame building at 5 per cent. On the face of them the rates probably appeared to be much more generous than they really were in the light of experience. The district in which you build a house today may be a first class one, but in ten years' time a shift of population may reduce the value of the property materially. Let me give an illustration. It is a bit personal, but the best evidence in these things comes from personal knowledge. In 1914 I bought a house for $5,000, and from 1917 to 1940, a period of 23 years, I depreciated it at 5 per cent a year. I had unknowingly continued to depreciate it for three years longer than I should have, and I would not have known about it even then if the department had not called my attention to it. I asked them why they had not disallowed the depreciation for the last three years, and they said that they themselves had not noticed it. Naturally, I made a refund. But from 1914 to 1940, owing to the character of the district, I could never have sold that house for much more than $2,000. By 1941, however, because of changes that had taken place in the locality—the streetcar tracks were taken up, and an industrial plant was moved away and replaced by a nice block—I was able to sell the building for $5,000. Now, under this law I would have had to pay tax for 1941 on the whole $5,000.

Hon. Mr. Campbell: What was the cost of the building?

Hon. Mr. Haig: Originally $5,000. But I would never have dared to take off depreciation year by year if I had known that later on all the amounts of annual depreciation would be lumped together in one sum. Nobody would knowingly take off depreciation in those circumstances. That was the point made by the senator from Toronto-Trinity (Hon. Mr. Roebuck).

Hon. Mr. Moraud: That was also the argument of the gentleman from Thunder Bay (Hon. Mr. Paterson).

Hon. Mr. Haig: Yes. If after the house had been entirely depreciated I had died and left an estate of over $50,000, under this bill my family would have been taxed on that house. That is a capital levy. Why should I put money into that kind of thing when I can invest it in other things and run less chance of losing it?

Hon. Mr. Moraud: In government bonds, for instance.

Hon. Mr. Haig: Yes. I would have been better off if I had bought government bonds in 1914.

In trying to decide whether you should depreciate property year by year you have to consider not future conditions alone but conditions as they may be some years from now. Suppose a man bought a house ten years ago for $10,000, and against his rent receipts charged annual depreciation at 5 per cent. The depreciated value of the property today would be $5,000. In trying to decide whether it would be wise to continue writing off depreciation the owner has to gamble on what the house will be worth in future, say ten years from now. If he thinks it will be worth only $4,500, he should charge $500 depreciation for one year and make no write-off after that. There is no doubt that this legislation is the thin edge of a capital levy. It is a challenge to the very kind of investment that we ought to be encouraging people to make.

When I was a boy, and that was at a time when some other senators were boys, it was quite common for an artisan in a city or town to own not only the house in which he lived but perhaps one or more other houses besides. A carpenter or plumber or bricklayer, for instance, might hear that a house two or three doors away from his own was for sale, for say $2,000, and he would buy it, because he considered it a good investment. He understood house values. If I had gone to such a man and suggested that he buy Dominion Government bonds he would have said "I have no trust in government bonds, because I know nothing about them, and I do not trust your judgment, but I do trust my own judgment on house values." He would buy a house now and then, as his funds permitted, with the object of having sufficient income to retire at the age of 65. This bill would put an end to all that kind of investment, because house values change with changing conditions. A five-room house in Winnipeg or Toronto or Montreal today will sell for proportionately much more per room than a house of fifteen rooms.

The kind of investor I have been speaking of in my illustration is not an educated man. He is not an accountant or a lawyer, and he would be likely to write off depreciation every year. But after his death some lawyer might, unfortunately, have to say to his widow, "I am awfully sorry, but you will have to refund to the government a considerable sum, because during the last ten years your