

Hon. Mr. VIEN: No. It is working at the present time.

Dr. EATON: It worked up to the end of 1948.

Hon. Mr. VIEN: What are the difficulties in the working of the present system of depreciation? Sections 7 and 8 are intended to make a change, but is the Act not workable now?

Mr. GAUSIE: I would not like to answer that question right off the bat.

Hon. Mr. VIEN: I believe that the Act would be workable because it is workable at the present time. Am I not right that if sections 7 and 8 are changed there are correlated sections that will also have to be changed?

Mr. GAUSIE: There is a repeal at the beginning of clause 7. That would have to be maintained so as to repeal the old section 20. It relates to an entirely different subject.

Hon. Mr. VIEN: Well, the difficulty is to understand the incidence of the new system of taxation and depreciation. It cannot be clearly explained to the committee unless we have some specific cases and unless the officers of the department, who are here to enlighten the committee, are allowed to give full and clear answers to these specific cases. Take, for instance, the specific case proposed by Senator Moraud. A small property owner has a property worth \$10,000. For two or three or four years the property is depreciated to the extent of \$3,000 or \$4,000. Then the owner sells that property for \$12,000. Therefore, he has suffered no loss. He paid \$10,000 and the increased value on properties generally has increased the value of his property. What do you do with a small taxpayer who has a small property? If we understood correctly the terms that were given this morning, you would have this taxpayer bring into his taxable income for the year, say, 1950, the amount of depreciation which he will have deducted from his taxable income from the 1st of January, 1949.

Hon. Mr. MORAUD: And he would lose the interest on the money that he has put up.

The CHAIRMAN: If he has otherwise recovered his capital.

Hon. Mr. VIEN: Senator Moraud has put a specific case. A very good way of understanding an Act is to find out what the Act does in respect to a specific case. Here is Mr. Jean Baptiste Trudeau who has a property of \$10,000 on the 1st of January, 1949. On the 1st of January, 1951, he sells that property for \$12,000. He had deducted the depreciation in 1949, in 1950, and in part of 1951. Then he sells the property for \$12,000.

Mr. GAUSIE: Is this property rented?

Hon. Mr. VIEN: Whether it is rented or whether he has occupied the property himself, it is the same.

The CHAIRMAN: Oh, no.

Hon. Mr. VIEN: Take it as being rented property then.

The CHAIRMAN: There is no depreciation on property which the owner occupies himself.

Hon. Mr. MORAUD: It has got to be rented property.

Hon. Mr. VIEN: Well, suppose it is rented. That property has depreciated and it is deducted from his taxable income for the time being. He sells that property at a price higher than the value fixed on the 1st of January, 1949. Then he will be called to add to his taxable income for 1951, the year in which the sale is transacted, the whole of the depreciation that he has enjoyed from January 1, 1949.

Hon. Mr. MORAUD: And he would have lost the interest on the money he has invested in that property, so he would be better off to buy bonds.