

progression if the government wishes to stimulate the best activities and the utmost production in the country.

Section agreed to.

On section 16—Deductions allowed corporations refining or marketing petroleum.

Mr. ARGUE: An oil company is allowed to deduct from income the cost of exploration, even if it strikes a dry hole; why is the farmer not allowed to deduct from income the expense of digging a well, even if he finds no water?

Mr. ABBOTT: The short answer would be that this is incentive legislation to stimulate in Canada the search for oil, which is a badly needed raw material.

Mr. ARGUE: So is water.

Section agreed to.

Section 17 agreed to.

On section 10—Regulations.

Mr. ABBOTT: The hon. member for St. John-Albert raised the question last night that the provisions of this section might be interpreted in a very much broader fashion than I had thought possible, and I said at the time that if he was right the section should be amended or withdrawn. The purpose of the section is to endeavour to provide a flexible workable basis for administering the Income War Tax Act. What we are trying to achieve is an act which will be readily understandable and which will work fairly for all taxpayers. For that purpose it is necessary to give a certain amount of flexibility to the act. We are trying to eliminate the straight ministerial discretion, and in cases where flexibility is necessary we want to incorporate a provision whereby regulations will be adopted by the governor in council, which will of course require approval by the cabinet. The regulations will be published in the *Canada Gazette* and I hope would be available in brochure form for the use of all taxpayers.

Paragraph (3) (a) provides:

The governor in council may make regulations not inconsistent with this Act.

(a) prescribing the evidence required for any purpose under this Act.

That is pretty broad in its terms. I consulted the law officers of the crown this morning. They do not believe it could be interpreted as widely as my hon. friend suggested last night, but I think we should put the question beyond peradventure and state just what the intention is. As I said last night, this is intended to relate only to the administration of the act as such. The evidence required would be in regard to such matters as estab-

lishing charitable donations, dependency, and so forth. Suppose a man claims he has a dependent living in Europe. He should not be held to the strict rule of best evidence, but the department should be able to require that an affidavit be evidence of dependency if accompanied by money order receipts to show that payments were made regularly. That is the sort of thing we had in mind.

Paragraph (3) (b) reads:

(b) requiring any class of persons to make information returns respecting any class of information required in connection with the administration or enforcement of this act—

And so forth. I discussed this with the officials of the Department of National Revenue, and they find that in the enforcement of the act they require information from different classes at different times in rather different forms, and it is hard to spell that out in advance in the act. They feel that there should be some flexibility and that regulations should be made, which could be made known to all taxpayers, so that the rules could be varied from time to time. They feel that it is not desirable that we should attempt to spell the whole thing out in the statute. With that in view I think the objections that were taken last night might be met by amending the section in this way:

That clause ten of Bill 269 be amended by deleting the words "for any purpose under this act" where they appear in paragraph (a) thereof and substituting "to establish facts relevant to assessments under this act" and by deleting the words "the administration or enforcement of this act" where they appear in paragraph (b) thereof and substituting the words "assessments under this act."

In other words, prescribe what character of evidence may be accepted by the department, and what type of information may be asked for, relating only to assessments under the act. I suggest to the committee that that is a reasonable provision and that it will make for efficient administration of the act. If it is found that it is abused, and I do not think for one moment that it will be, the question could be raised in the house and an appropriate amendment insisted upon, but I suggest to the committee that the section as I now propose it and which I will ask one of my colleagues to move in a moment is an appropriate and a workable section.

Mr. HAZEN: I think the suggested amendment clarifies the matter to a very great extent, and so far as I understand it now it is acceptable.

Mr. FLEMING: I should like to say a word about the proposed amendment to clause (b). I can appreciate the points raised