

change the nature of that business without running contrary to this statute? However, if you have a boat which you have been using for revenue purposes and you change it into a yacht, that is different.

Hon. Mr. HAYDEN: What about the use of the words "a business"?

The CHAIRMAN: It does not say "any business".

Mr. GAVSIE: That is just a term of art that is used all through the bill. I am told that if you are manufacturing radios one day and the next day you are manufacturing washing machines, it is still the same business. It is only where there is a change of corporation and name that this section takes effect.

Hon. Mr. NICOL: If you are manufacturing washing machines and you sell your business to a new corporation for the purpose of manufacturing radios, then this law comes into effect.

Mr. GAVSIE: Yes, because there is a change of taxpayers. A new taxpayer has bought the assets and the new company, being a separate corporate entity, would be regarded as a new taxpayer.

The CHAIRMAN: Shall 4 (a) carry?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Then we come to paragraph (b).

Mr. GAVSIE: That is the reverse. The person acquires property as a personal residence and then decides to rent it for the purpose of gaining income therefrom.

Hon. Mr. HAYDEN: This is asking a person to use his imagination a great deal. How did I acquire a property for some other purpose if I have not acquired it for any purpose? I first have to acquire it for some purpose.

The CHAIRMAN: What it means is where a taxpayer uses a property for the purpose of gaining income, that he formerly acquired for another purpose.

Hon. Mr. HAYDEN: Paragraph (b) says, "where a taxpayer, having acquired property for some other purpose, has commenced at a later time to use it for the purpose of gaining or producing income . . ."

The CHAIRMAN: I do not see why the draftsmen thought it necessary to put this in backwards.

Hon. Mr. HAYDEN: That is my point. I think it is in backwards.

Mr. GAVSIE: We know that under paragraph (a) the taxpayer has acquired the property for the purpose of gaining income or for producing income from a business, and later he uses it for some other purpose. We know what the "some other purpose" is for personal use.

Hon. Mr. HAYDEN: Where does it say "personal"?

Mr. GAVSIE: Well, it may actually be for his family and not himself.

Hon. Mr. HAYDEN: I see, this has to be written on a high level of language.

Mr. GAVSIE: Yes.

Hon. Mr. MACLENNAN: And they have to be sure to carry on the obscurity.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN: Does it contemplate that during its use for some other purpose it will become depreciable?

Mr. GAVSIE: No, because the property has been held for a purpose for which no depreciation can be charged.

Hon. Mr. HAYDEN: There would be the simplified way of expressing it. You have just done it now. That would be ordinary intelligible English.

The CHAIRMAN: Let us take the case of a property purchased for a non-depreciable purpose, and you subsequently decide in a year or so to use it in a business. You have not depreciated it in the two years that you had it for a non-business purpose, and you decide to use it for your business. Should this total capital cost not come in?