

Hon. Mr. ABBOTT: For the purposes of this Act the value of the property would be \$6,000. If it were sold for \$12,000 it would be a capital gain so far as \$6,000 is concerned, because we do not go back of January 1, 1949. In the example you have given the executrix could sell the property in question for \$100,000 and be subject to no tax.

Hon. Mr. HAYDEN: It would depend upon when it was sold. If she sold it in 1951 the reduction would be the amount of depreciation taken in the interim.

Hon. Mr. ABBOTT: Yes, from the 1st of January, 1949, to the 1st of January, 1950, which might be a few hundred dollars.

Hon. Mr. MORAUD: You have given an exemption to fishermen and farmers. Could you not give a small exemption to the small property owners? I discussed such a case before you came in. In our part of the country, up to the last war, our people did not believe much in stocks or bonds. They did not know anything about them. They came from the land to the city because there was no place for them on the farm. In the city they were small wage earners and bought themselves houses for their families. At the same time these houses were such that they would give them a certain small yield. If they had bought bonds there would have been no depreciation, and they could sell their bonds without paying any taxes on depreciation. They sell that house at a profit, but they have had no interest on their money during the time the house was used. They sell the house at a small profit that they need for their large families. Could there not be a limit of exemption for these small property owners?

Hon. Mr. ABBOTT: I would be very glad between now and the time I introduce my next budget, to see whether one might provide an exemption for the property owner who is not using his property in his business—that is to say, a person who holds real estate for an investment—as to whether on that type of property the old straight-line basis of exemption could apply. I should not like to make that decision now, because I never like to make snap decisions in cases of this kind. Since we are in the position where any change which is made in March or April, 1950, can be made applicable to the 1949 period, I do not think anybody will be hurt. I do not want to commit myself, but I will be prepared to give serious consideration to that type of small investment holder. If I were doing it would I restrict it to the owner of only one or two rented properties? What I mean to say is, if it were sound in principle, as it might well be for the small real estate investor, it might be equally sound for the larger investor. This new basis is applicable particularly to the fellow who has got a fluctuating inventory of equipment and buildings, and so on, where under normal circumstances, if he gets rid of one, he buys another the next day in order to keep his business going.

Hon. Mr. HAYDEN: It goes further than that in a way.

Hon. Mr. ABBOTT: Yes, that is correct. We have excluded farmers and fishermen, but perhaps a good case could be made out for single real estate investors.

Hon. Mr. FRASER: On the point of the depreciation of equipment, take, for instance, a crane that cost the owner \$40,000. Let us say that he depreciates the crane in two years to the extent of \$20,000 and he sells the crane for \$40,000. I understand that the depreciation is then charged back to the income.

Hon. Mr. ABBOTT: Yes, and if he buys a new crane for \$40,000 he stands about exactly in the same place. What I want to point out is that he has written off, say \$10,000 on the crane, and he sells it for the purchase price. The \$10,000 is then returned to taxable income. Is that correct?

Hon. Mr. HAYDEN: That is right unless he has other assets.

Hon. Mr. ABBOTT: Unless he buys a new one.