

\$10,000 in real estate that he thought was going to pay, but it did not. We are, therefore, both in the same position, the only difference being that one is real estate and the other securities. Should we allow our loss in either case to be deducted from our income for the purposes of this taxation?

Mr. COCKSHUTT: That is not a parallel case as I understand it.

Mr. GRAHAM: I carried it as far as my hon. friend wanted me to.

Mr. COCKSHUTT: The hon. member carried it to an illogical conclusion. If the call was made because the company had encountered a loss, as frequently occurs, I say that he did not increase his capital by reason of the call having been made. He has really made a loss. He is being called upon to make up a call. Take a fire insurance company, for instance. They have been paying dividends every year as my hon. friend knows. Suddenly they have a disastrous year and the dividends cease. The fires have been so great that instead of having a dividend on his stock, all the premiums have been exhausted and the company has lost a portion of its capital. In order to keep the security good, a call is made to put it where it was. If the hon. gentleman figured out that that was income, I think he would soon find that he was living on air, and that the income was a myth. There is no income about that. It is a loan that has to be made. Surely if an income exists, the man that has it ought to know. If he is trying to evade the law, fine him. But if he says, "My income is \$15,000, as I can show you by the net results in the bank at the end of the year." I would take that as prima facie evidence that that was his income.

Mr. McCREA: Suppose that a man has two properties that he is carrying on his books at a certain value. One of them he sells for possibly twice what he is carrying it at. Would that be considered as income for that year? The other property he sells at a loss. How would the minister treat that? If one is counted as profit, the other should be counted as loss. As I understand the minister, capital will have nothing to do with profits. If a man has a property and sells it at a profit of 20 or 50 or even a hundred per cent, that will not be taxed. If he sells his property at a loss, do I understand that he will not be allowed to deduct that amount?

Sir THOMAS WHITE: I think I agree with my hon. friend. It would not be fair [Mr. Graham.]

to count as income in any given year the profit which one might make on the sale of real estate which a man had held for a number of years, for that would not be annual gain, and I do not think it would be possible to apportion a certain amount of it in respect of the year in question. The same argument would apply to the other property. A great number of the questions that have been raised here are of theoretical importance, but not likely to become a practical issue in the administration of the Act. In connection with the Business Profits War tax we had many cases where properties were sold at a profit after being held for a number of years. But in the working out of the Act it was recognized that that was not gain for that particular year, and no difficulty was experienced.

Mr. McCREA: That is as I understood it.

Mr. VERVILLE: Suppose I am paying \$1,000 interest on a property mortgage? Would I be allowed to deduct that amount from my income? If I am taxed on that \$1,000, and the man who receives it counts it as part of his income and is also taxed on it, that would be double taxation?

Sir THOMAS WHITE: In the case my hon. friend suggests, where he is paying \$1,000 interest upon a mortgage upon some property which he holds, he would be entitled to deduct from the revenue which he derived from that property the interest which he paid on the mortgage. On the other hand, the mortgagee would derive from my hon. friend the thousand dollars which would be a part of his income. If the income be \$3,000 more, he will be liable, under the provisions of this Bill, less \$3,000 exemption.

Mr. VERVILLE: I brought that up because there are quite a lot of workmen having small properties and very heavy mortgages upon them. They were afraid they would be taxed for the amount of the mortgages, but according to the explanation they will not be.

Mr. LEMIEUX: Take the case of a man who buys some stock and makes only a partial payment and the stock is hypothecated with the bank. Let us say that I buy 500 shares of Ottawa Electric, and that I pay for 100 shares, the bank carrying the stock, how should I be assessed in that case?

Sir THOMAS WHITE: That case came under my observation many times years ago when I was connected with assessment