

Income Tax Act

department—and I think some of them have—I shall see that they are carefully considered.

Mr. Fleming: I am sure that the committee will appreciate the statement just made by the minister as to his willingness to review cases of this kind, because they are serious cases. I was a little disappointed to hear the minister say earlier this afternoon that the revision of order in council P.C. 1778 of April 10, 1951, which is under way at the present time, may not go as far as perhaps some of us had hoped. I should like to express an opinion based on what I have seen of the way in which this new order in council has operated.

For a sudden new departure in a matter of such importance, I think the order in council was unduly drastic in its terms. The hon. member for Greenwood has referred to its effects on various cases, and I also referred to such cases when speaking on this matter on June 5, cases where commitments had been entered into prior to April 10 but where the property had not yet been acquired, where the purchaser under his commitment is obliged to complete his purchase and discharge his commitment notwithstanding that he has no effective opportunity in a situation of that kind to exercise that choice which the minister praised in this new scheme as being the essence of it. I refer to the taxpayer's choice between acquiring and not acquiring property on which depreciation will be deferred four years. In a situation of that kind there is no element of choice left to the individual.

The feature of choice in the present scheme of deferred depreciation which the minister claimed for it is not to be found in a situation of that kind. The commitment is there, but there is no opportunity on the part of the purchaser to decide whether he will or will not acquire the particular asset which, if he acquires it, will not be depreciable for income tax purposes for four years. I would urge that the drastic features of the new depreciation scheme, its rigours, ought to be mitigated in the revision that is under review at the present time.

Mr. Abbott: My hon. friend knows that one can always mitigate.

Mr. Fleming: I hope that is the principle that will guide the government in connection with the present revision of the order in council. After all, when we think of the features of the scheme offered a few years ago to encourage people to embark on the acquisition and construction of plants, you will remember that the bonus or inducement there offered was double depreciation.

[Mr. Abbott.]

If we were applying the same principle here in reverse, because of the fact that this is intended to have a deflationary effect, I should have thought that the step to be taken would have been to reduce the depreciation allowance by one-half. If with a view to expanding the construction of plant and equipment a few years ago the principle followed was to double the rate of depreciation, then surely the way in which that principle might well operate now would be to reduce the rate of depreciation by one-half, but this proposal eliminates it altogether, and in consequence it has some highly discriminatory features. It may be that in times like these, when great stress is being placed upon the need to halt the expansion of industries which may in any way compete for defence materials that are in short supply, brakes must be applied on both the extension of existing businesses and the creation of new ones. But, with respect, it seems to me that a measure so drastic as this, suddenly applied, is going to work very great hardship on young businesses, young enterprises and those avenues through which the free enterprise system finds its expression. People starting up in business, making their own way and taking all the risks inherent in entering upon a new business, find a scheme like this being applied with highly discriminatory effects.

I conclude these remarks by saying that I do hope the revision being currently carried out in order in council P.C. 1778 will not be merely some superficial amendment, but will really seek to eliminate the very objectionable features of the new scheme resulting from its rigour and the discriminatory consequences.

Mr. Macdonnell (Greenwood): I want to add a word to support what has been said by the hon. member for Eglinton, particularly with regard to the want of notice. I am going to read what Mr. Gaitskell, the British chancellor, had to say when taking similar action. He gave a year's notice of the withdrawal of allowances for new plant and machinery; and these are his words:

Since the planning and execution of most investment takes a considerable time, the scope for restriction in 1951 is obviously limited, but we should take action now so as to restrain investment in 1952 and later years. I have, therefore, reluctantly decided that the initial allowances of 40 per cent given for income tax and profits tax purposes on plant and machinery, and 10 per cent on industrial buildings and mines and oil wells must be suspended as from April 6, 1952. I am giving a year's notice. Any expenditure incurred on or after that date will continue to qualify for the ordinary annual depreciation allowances, but it will receive no initial allowance.