

income. It would be proper for the man who has productive properties to take into account the rentals received, and to pay the taxation and the repairs actually made in connection with those properties. The balance might fairly be considered his net income. My hon. friend raises the question as to whether there should be an allowance for depreciation. I do not think it possible to get an income taxation down to a mathematical nicety such as is suggested where the amount of annual depreciation would be allowed, because it would be almost impossible to estimate such depreciation, and as against that there would have to be set off the possible appreciation of that property, because, real estate does appreciate. In the administration of an income tax you must get down to a sound, but rough-and-ready basis—a basis of good sense. How much did the man derive from his real estate investments? How much did he actually pay out for taxes and repairs? The balance is his income. I do not believe he should be allowed to deduct the depreciation of his property, because the fact that it might have appreciated in value has also to be taken into consideration. I do not think we can get it down to a basis where you can set off the depreciation the tax-payer thinks he might fairly be entitled to deduct in respect to property, even property which may be vacant.

Mr. NESBITT: Might I suggest that the depreciation would show in the returns?

Sir THOMAS WHITE: Yes. The depreciation would appear in the returns, and I think the onus would be very strongly on the taxpayer to show beyond peradventure that such depreciation had taken place. I do not like to admit the principle that depreciation should be allowed. Take another case—which might come within the instances my hon. friend has brought to the attention of the House—a man has an income of, say, \$10,000; he is carrying a piece of unproductive real estate in the West, upon which he has to pay taxes. I do not think he should be allowed to deduct the taxes he pays in respect of that property. His income is the return he derives from his profession or calling. If he is carrying a piece of real estate for purposes of speculation, he should carry it himself. I draw the distinction between that case and the case of a man who is deriving income from properties which are productive. His income is the rentals he receives from such properties, but he is entitled to take into

[Sir Thomas White.]

account what he pays in the way of taxes, and repairs actually made.

Mr. A. K. MACLEAN: I thoroughly agree with the minister. I do not see how you can introduce any such principle into the Bill that would meet the case mentioned by my hon. friend (Mr. Cockshutt). A private individual might as well urge that his physical strength is depreciating from year to year, and that his earning capacity is growing less, and therefore he should have some allowance made for physical depreciation.

Mr. GRAHAM: I would not admit that.

Mr. A. K. MACLEAN: Take the case the minister has just cited. Say a man is resident in Toronto, and is in receipt of an income of \$25,000 a year, and say he has unproductive property in the West which requires a disbursement on his part of \$5,000 a year for taxes. In estimating his income, surely that \$5,000 would not be taken into account?

Sir THOMAS WHITE: I do not follow my hon. friend.

Mr. A. K. MACLEAN: I understood the minister to say that the fact a man was paying an annual tax bill of \$5,000 upon unproductive property in the West would not be taken into consideration in calculating his income?

Sir THOMAS WHITE: My view is he should not be allowed to deduct it.

Mr. A. K. MACLEAN: Why not?

Mr. NESBITT: I think he should be allowed to deduct it.

Sir THOMAS WHITE: My view is he should not be allowed to deduct it because his income is \$25,000 and he is speculating in the West—

Mr. PUGSLEY: Suppose this unproductive property was in Toronto, instead of in the West?

Sir THOMAS WHITE: The reason I mentioned the West was because my hon. friend referred to it.

Mr. A. K. MACLEAN: Suppose a professional man has an income of \$25,000 a year, and he owns an unproductive property in the city of Ottawa, the taxation on which is \$5,000; surely, he would only be liable upon an income of \$20,000.

Sir THOMAS WHITE: If part of his income was from productive property, then he should be allowed to deduct taxes and