

*Income Tax Act*

Another question concerns the automobile which may cost \$4,999 in eastern Canada but which will certainly cost more than \$5,000 in western Canada, owing to freight rates and so on. This regulation seems to me discrimination between eastern and western Canada, or western companies as compared with eastern companies. I should also like to impress on the minister that there are other factors which should be considered in this \$5,000 write-off.

I do not disagree with the principle behind the regulation, if it is a regulation. I know what the minister is trying to do. He is trying to stop companies from buying Cadillacs, and so on, and I agree with that. But there are problems which arise from this unless we receive some explanation. For example, in the province I come from there is a provincial education or sales tax of 5 per cent. In the province west of where I come from there is no sales or education tax. So the matter does become a problem.

**Mr. Southam:** Or to the east.

**Mr. McIntosh:** Yes, to the east, or it could be other places. So there are a few problems in regard to this write-off on automobiles, and I should like the Minister of National Revenue or the Minister of Finance to explain to the committee a matter which concerns some of these companies.

**Mr. Garland:** Perhaps if I told the hon. gentleman that the regulations have been published and have been available for some time he would be satisfied. The specific answer to his first question is, of course, no. The other matters he has referred to are taken care of in the regulations, which are available on request.

**Mr. McIntosh:** I wonder if the minister will give us some details. I went home about a week ago, and this matter was of concern to many automobile dealers out there. Apparently they had written to the Department of Finance and were promised an answer within a very few days, but they had not received one. I do not know when the regulations came out, but I should like a statement on record in this house so I can go back to the dealers and say that this is what the minister said.

**Mr. Gordon:** Well, Mr. Chairman, if I can amplify what the Minister of National Revenue said, the \$5,000 ceiling was decided on so that it would include as eligible for write-offs practically any car manufactured in Canada; in fact almost all of them. The whole amount can be written off. If a car cost more than \$5,000 it would probably be an imported car and nothing could be written

off. The purpose was to encourage people to buy cars made here and to discontinue a practice under which the treasury has been financing approximately 50 per cent of all these high priced cars.

In answer to the second question, the regulations have been published and they make it quite clear that there is no discrimination in favour of people who live closest to Oakville, Oshawa, or other points in Canada where motor cars are produced. In calculating the cost for this purpose, freight charges and provincial sales taxes are excluded from the computation.

Clause agreed to.

Clauses 2 and 3 agreed to.

On clause 4.

**Mr. Lambert:** Mr. Chairman, there is one point on this clause which has always bothered me and I should like to ask the minister for a short explanation. I have always wondered what would happen in these cases if the option has been exercised. I realize that what the minister is trying to get at is a colourable transaction whereby there is in actual fact a lease, and that has been the intention of the parties. But they have covered it in the guise of a lease option, though they have never exercised the option. In other words, no overt step has been taken to exercise the ownership and acquisition of the assets. I realize this was a loophole. But what happened when there was such a transaction on the face of it, and when subsequently the option was exercised indicating that it was a bona fide transaction? I do not like to see everybody classified as a wolf because they happen to be covered with sheep's clothing: They may truly be sheep.

**Mr. Gordon:** There may be taxpayers who acquired property before 1963 taxation year under the lease option arrangement and who had property established for tax purposes under the rules contained in section 18. Where the capital cost has been established in this manner it will not be disturbed by the repeal of section 18. The taxpayer concerned may continue to deduct capital cost allowances as if the section had not been repealed.

**Mr. Lambert:** Does not the minister think that with this provision he has now closed the door on an important area of business operation. The hon. gentleman has had some connection with business and he must realize the value of lease options. I am thinking not so much of their value from the point of view of taxation relief, but of their financial value. Does he not think we have here, for the sake