

*Capital Cost Allowances*

date, and provided that the structure is completed before April 1, 1953. This covers, therefore, the case of a project already under construction on April 10, 1951, and the case where no construction has commenced but a legally binding contract exists between a taxpayer and a contractor, and provided there is available a set of plans and specifications adopted before April 11, 1951, by the taxpayer and forming a part or the full basis of the construction contract entered into between the taxpayer and the contractor.

The certificate will be granted after the property is acquired. One of the tests of a genuine contract in existence on April 10, 1951, will be the fact that the work on the structure will be undertaken and completed within a reasonable time. A period of two years has been considered as a reasonable time in the light of present and foreseeable supply conditions. This explains the provision requiring completion of construction before April 1, 1953. Therefore a taxpayer who has a valid contract as of April 10, 1951, but who has decided to postpone construction for say two years, would not be eligible for a certificate, since the purpose of the amendment is to provide relief to those who not only have a contract but who have also either commenced construction before April 11, 1951, or were obliged to do so, within a short time after that date.

Some new structures are erected by owner builders, that is, without employing a contractor, and in such cases there would be no contract in existence as of April 10, 1951. The amendment to the regulations also grants relief in such cases, provided the taxpayer can prove that construction was commenced prior to April 11, 1951, and completed before April 1, 1953, according to plans and specifications adopted by the applicant prior to April 11, 1951.

The second group of properties covers structures completed before April 11, 1951. In such cases a certificate of eligibility will be granted if the taxpayer can prove that he was obligated to acquire a property under the terms of a contract entered into prior to April 11, 1951. The emphasis is on "obligated to acquire". Therefore an option which gave a potential purchaser a right to acquire property without obligating him to acquire it would not be accepted as a binding contract under the regulations.

The third group covers mainly machinery and equipment, both new and old. In such cases certificates of eligibility will be granted if the applicant can prove that he was obligated to acquire the items involved under the terms of a contract entered into prior to April 11, 1951. There is no date set as

to time delivery has to take place, because it has been presented to us that in some cases of complicated pieces of equipment which are made to order and according to specifications set out by the purchaser, the period required to complete the equipment might involve several years. As with regard to structures, a certificate will be issued only after the property has been acquired by the taxpayer.

These amendments will take care of the bulk of genuine commitments made as of April 10, 1951. Thus in the case of a new project where a construction contract had been let and some of the machinery and equipment had been ordered, this part of the project would be eligible for a certificate provided the various conditions as set out in order in council P.C. 6384 were fulfilled. Not eligible would be the machinery and equipment ordered after April 10, 1951, or any substantial changes in or additions to the structure beyond what had been provided in the plans and specifications drawn up and adopted by the taxpayer before April 11, 1951. As I remarked to this house on June 28, we may not be able to take care of everything for which a taxpayer could make a case for relief, but we have gone a long way to grant relief where the taxpayer had no option but to carry out commitments made before April 11, 1951.

I should like to emphasize that the relief granted under the order in council tabled today applies to industries not otherwise qualified for a certificate of eligibility.

Just before closing, hon. members may be interested in a brief statement about the progress of administering deferred capital cost allowance provisions.

Between April 11, 1951, and November 16, 1951, 928 applications for certificates of eligibility have been received. Of these, 342 have been approved, involving capital expenditures of \$269.9 million. Projects approved include properties acquired by defence and defence-supporting industries, under subsection 5 of section 1107 of the income tax regulations, properties acquired by basic industries required for the carrying out of their business as provided for under subsection 6, and properties acquired by bequest or inheritance, properties transferred between taxpayers who were not dealing at arm's length, and properties taken over when the whole of a business was acquired in a deal at arm's length, as provided for under subsection 8.

Certificates have been denied for 175 applications, involving \$27.7 million. The remaining 411 applications are pending, and these