

Income Tax Act

in the regulations will be particularly drastic in their character. This matter has been before the house for some weeks and I think there would be a basis for discussion if my hon. friend is desirous of discussing it. While I would do my best to see that an opportunity is afforded, I could not give any such definite assurance. As the hon. member has pointed out, these are regulations. We have not before us any statutory provision relating to them and it is by arrangement, I think a most desirable one, that we are now discussing the general principle. I agree with my hon. friend that this is a most important matter.

Mr. Macdonnell (Greenwood): I thank the minister and I note his reservation. I think that makes it all the more incumbent upon us to bring to the minister's attention, while the regulations are still in course of being changed, any matters that we may have in mind. On April 10 the minister referred to this new and I suppose almost unprecedented provision, when he said:

What we need is a stiff financial deterrent that will affect particularly the businessman who is considering the kind of investment which is attractive, not because of its long-term soundness, but because it can be written off out of the expected high profits of the next few years at a time when he expects the rate of corporate income tax to be abnormally high.

I draw that to the minister's attention because I am going to suggest very earnestly that under the section as it is worded—and I take it the whole thing is pursuant to the principle the minister laid down, and which I have just read—there are certain cases which seem to me not only to go far away from that but to be entirely contrary to it. No doubt the minister has had other representations of this kind, but I hope it will be possible in these regulations to deal with cases of the kind that I am going to mention.

I have one case here which I wish to draw to the minister's attention. It involves a situation where there was a holding company, and several subsidiary companies. The holding company retained ownership by simply retaining the shares of the various companies. For the past year or so a study has been in progress to determine whether substantial savings could be made by merging the projects into one enterprise. The study has been completed. It is obvious that the sensible thing from a business point of view is to merge, but if the merger is proceeded with no depreciation under this wording, as I understand it, will be available for four years. This is a case where no new equipment is involved. There is certainly no question of entering into a new investment with speculative possibilities. Yet under the wording as it stands, although

decreased costs of operation could be achieved, the companies will be forced to carry on under the present set-up with higher costs, thus adding to the fires of inflation, you might say, because if they amalgamate now depreciation on the assets of the various constituent companies will be deferred.

The writer of the letter providing me with that information says somewhat caustically: "It simply does not make sense." I submit to the minister that whether or not it makes sense, it does not come anywhere within the four corners of the paragraph of the minister's speech that I read. I take it it is perfectly clear that this provision is not a tax collecting provision. It is a provision, as the minister has said, to avoid undue expansion. I think the minister will probably agree that it was never intended to catch a case of this kind, but it will, and numerous others. I submit to the minister that there must be some administrative way of dealing with this situation. Here is a case that by no conceivable stretch of the imagination comes within the minister's principle.

There are one or two other cases. I am sure they are known to the minister, but I want to get them on the record. There is the case—and I am sure there must be large numbers of such cases—where firm commitments have been made, commitments which cannot be escaped, to acquire property. They were made before the 10th of April but the machinery, or what you will, had not actually been acquired. Then there is the case of the individual businessman who wants to incorporate, and as I understand it he is in the same difficulty. I would have thought that in particular might have been made an exception because there is no question whatever there of coming within the minister's principle. I will leave the matter at that point merely emphasizing again that it seems to me that the cases I have cited have shown that the simple wording of the clause as it stands now is not only going to create great injustices but, what is perhaps even more important, it is going to create situations which I am sure the minister never had in his mind when he made his budget speech.

Mr. Abbott: I think it is probably fair to say that special cases such as my hon. friend has outlined are just the sort of cases that are now under consideration to see whether some remedial action can be taken. I should add that as a rule representations are not made to me directly. They are made to the Department of Trade and Commerce or the Department of National Revenue. If the cases which my hon. friend has cited have not already been brought to the attention of the