

Mr. NESBITT: "Presumed"?

Sir THOMAS WHITE: I thought of the word "deemed" or something like "thought by the minister to be liable."

Mr. PUGSLEY: "Supposed"?

Sir THOMAS WHITE: I think that is the best word of all. "Deemed" is a very strong word, as in reality it means "doomed."

Sir WILFRID LAURIER: I think "liable" would be quite sufficient. If the minister said that a man was liable, the question would then come up whether he was or not.

Sir THOMAS WHITE: I will consider the suggestions, and we shall probably change the wording.

Section stands.

On section 3—Income:

Mr. COCKSHUTT: How is one's income to be computed? I venture to say that there are very few people in this country who know exactly what their income is. They may be desirous of having the proper amount entered, but there are so many factors that have to be taken into consideration in connection with the origin and net result of a man's income. Suppose, for instance, a man has \$75,000 invested in real estate, and that \$50,000 of that amount is invested in a paying enterprise which allows him to take care of his municipal taxes, fire insurance, depreciation, and the general upkeep of his property. The other \$25,000 may be bringing in nothing, but the taxes have still to be paid and the necessary repairs made. Is any allowance made for what may be called "depreciation of capital" in a real estate investment? Everybody knows that when property is vacant it rapidly deteriorates. Vacant property is a very rapid income destroyer. I have had a good deal of experience in that line, and I know that a man's income can be eaten into very rapidly by unproductive property. I venture to say that anybody who owns very much real estate has some unproductive property that is not only not bringing him in any income, but is actually eating into the income he receives from other sources. I have a good deal of that kind myself at the present time, as I have no doubt a good many men in this House have. Has the minister taken that into consideration, and is any allowance to be made for this depreciation of capital? In other words, if a man has a

certain amount of income from one source, and some other investment in property has depreciated in value and eaten into his income, is that taken into account in calculating the amount of income that will be liable to taxation? I do not know whether I have made myself clear, but I have heard that the minister is a man of property himself—

Sir THOMAS WHITE: I used to be before I came to Ottawa.

Mr. COCKSHUTT: If so, he has probably some property that is decreasing his income instead of adding to it.

Mr. GRAHAM: That is not the kind of fellow he is.

Mr. COCKSHUTT: I am not, of course, wishing to escape paying what I should legitimately pay, but if the minister should ask me what my income was in any one year, though I keep books and endeavour to make an entry of everything, I should have the very greatest difficulty in telling him what my income was, and that being so, how will a man who keeps no books and makes no entries ascertain his income? Take, for instance, the farmer; he probably keeps his wife and family out of the products of his farm. He does not begin to estimate his expenditure until he goes outside of his family expenses, which are provided for by the farm. I only instance this as one case, because it occurs in many other callings. A merchant often helps himself to the goods in his own store, not counting this as really part of his income. Those are a few of the difficulties which present themselves in estimating an income. I would also like the minister to tell me whether any regard is to be paid to the depreciation which may occur in a man's property. For instance, he might be worth \$100,000 this year, and when he makes his returns at the end of the year he may find his property is only worth \$90,000. He has lost \$10,000 on his investment. Will he be allowed to deduct that \$10,000 from his \$15,000 income, or will he be assessed on the whole \$15,000, and be obliged to look after the depreciation himself?

Sir THOMAS WHITE: Many difficult questions arise in connection with income taxation. I think it would be a very dangerous admission to make that the estimate made by a taxpayer that his property has depreciated to the extent of, say, \$5,000 or \$10,000 would be sufficient to justify that \$5,000 or \$10,000 being deducted from his