

Hon. Mr. HAYDEN: But take a lot of these cases where the asset is the one asset he has, so you have not a "class of asset".

Hon. Mr. ABBOTT: Unless he is going out of business it is usually replaced by a new one.

Hon. Mr. HAYDEN: I am thinking of a man who has rented a house. In that case there is one house.

Hon. Mr. ABBOTT: He is not in business. But if he has taken out of income on which he should have paid tax more depreciation than in fact has been incurred by his asset, I see no reason why he should not be taxed.

Hon. Mr. HAYDEN: But the problem is you are taking the full amount in one year. That might have two effects. One is that the rate of tax may be higher in that year than when he accumulated the depreciation. The other is that taking the whole amount in one year would put him in a different bracket income-tax-wise than he would be over a period of years.

Hon. Mr. ABBOTT: That is possible.

Hon. Mr. VIEN: Would there be any insuperable difficulty in providing that this would be thrown back to his taxable income over the same period of years as the period of years during which he has been drawing depreciation?

Hon. Mr. EULER: And at the rate of those years?

Hon. Mr. ABBOTT: That is the sort of thing that would be covered by the regulations, not by the statute. But off-hand, I don't suppose—it certainly would not be impossible.

Hon. Mr. VIEN: May I draw your attention to section 7, where it is said that it shall be included in computing his income for the year?

Hon. Mr. EULER: That could not be touched by regulation.

Hon. Mr. VIEN: That would have to be amended.

Hon. Mr. ABBOTT: Yes, that is right. The regulations, I am told, are not yet completed. They cannot be until the necessary statutory authority is provided. They will substitute for what was a pure ministerial discretion before. I think they are pretty nearly ready; I am told they are: I would hope that the department will have them out before the end of the year.

Hon. Mr. DUTREMBLAY: Regarding the amount of depreciation that we used to pay on property, that would be changed, I suppose.

Hon. Mr. ABBOTT: Well, because of the use of the diminishing balance principle rather than the straight line, I suppose there will be some adjustment of rates, and higher percentage rates will have to be adopted. The mathematics of the thing would indicate that. But I assume that the new rates will be such as to correspond with existing rates if these rates are considered adequate. It may be in some cases that as a result of experience existing rates applied on the straight-line basis should be increased, should be higher. I don't know that.

Hon. Mr. DUTREMBLAY: That would be very important for people who have property.

Hon. Mr. ABBOTT: I think it is safe to say that the rate of adjustment will not be on a basis prejudicial to the taxpayer.

Hon. Mr. HAYDEN: In the light of Senator Vien's question which followed the proposition I put to you, in that section 7 the addition of several words would permit you to deal with it by regulation. If, after saying it shall be included in computing his income for the year, you would add the words, "or otherwise as provided by the regulations," you would have the situation covered.

Hon. Mr. VIEN: The regulations would be by order in council.

Hon. Mr. ABBOTT: Yes, of course, and published, senator.