

what range will they apply? These provisions will not appear in the statute but will, I understand, come out in the form of regulations. The freedom that one will have within certain brackets applicable to prescribed classes is something which is tremendously important. I understand that the regulations are not yet available.

**Hon. Mr. Campbell:** They are not available.

The point the honourable senator raised brings up another question. Where you have taken other than what might be regarded as normal depreciation, where extra or special depreciation has been allowed during the war with respect to construction for war purposes, and you sell at a profit, the tax is the same as under the highest rate of depreciation on motor vehicles.

**Hon. Mr. Haig:** As I understand the answer, if the honourable senator is in the lumber business and owns trucks used in that business, and a truck is valued on January 1, 1949, at \$1,000, and in 1950 he takes off another \$100 and turns round and sells it for \$1,500, he has to account for the hundred dollars.

**Hon. Mr. Burchill:** In New Brunswick I am made accountable for the profit I make on a truck over and above the depreciated value at which it stands on my books.

**Hon. Mr. Haig:** And that condition continues.

**Hon. Mr. Moraud:** I am thinking of the small property owner, to which I believe this section applies. If he sells a house for more than he paid for it, that profit to a certain extent is taxable, and it is a tax on capital gain.

**Hon. Mr. Campbell:** If the honourable member is speaking of a residence, that is not so.

**Hon. Mr. Moraud:** Well, I have in mind the sort of residence frequently found in Quebec, and also in Ontario. A large number of property owners have the sort of building which contains two or three tenements or apartments. If the property owner sells his property at a profit, is that profit taxable?

**Hon. Mr. Campbell:** If he has taken depreciation after January 1, 1949. In other words, if he has made his tax return on the basis of saying that he receives rent for a portion of that property, occupies a portion, and takes depreciation, and then realizes a profit over and above the depreciated figure as of January 1, 1949, he would be liable to the tax.

**Hon. Mr. Moraud:** Even though he uses the depreciation allowance to improve or maintain his property?

**Hon. Mr. Campbell:** Well, yes. Of course, if he uses that as capital it increases the capital value of the asset. If he has made his repairs out of income he would be taxed on the profit.

**Hon. Mr. Roebuck:** I was not here when the honourable senator from Toronto (Hon. Mr. Campbell) began his explanation, so I may not understand it correctly. What troubles me is this. Suppose he takes depreciation in, perhaps, small amounts year by year, upon which he would pay a very low income tax, and some years afterwards sells the property for a very large sum, does he pay on the entire sum in the one year at the increased rates?

**Hon. Mr. Campbell:** The values are determined as of January 1, 1949.

**Hon. Mr. Roebuck:** Think about ten years from now.

**Hon. Mr. Campbell:** He has the option of setting his own rates of depreciation. If he takes depreciation at, say, 30 per cent of that value, and sells the property, he is accountable for the profit up to the value at the time, January 1, 1949. If he receives something over and above that, that is still capital profit.

**Hon. Mr. Roebuck:** It is the rate which I am concerned with. If he takes depreciation—admittedly in small figures—say at 30 per cent a year, or perhaps at a lesser rate, but the figures are quite small and the rate may be low—and ten years from now he is hit with the tax on the whole amount in one year, does he go in the higher brackets in consequence and have to pay in income tax pretty nearly the whole amount of his profit? Or will he be allowed to pay the tax which he would have paid had he paid it from year to year?

**Hon. Mr. Campbell:** If I interpret this section correctly, this is a disposal of all his assets, so that it would fall in as cash profit in that year and he would be liable for taxation in that year.

**Hon. Mr. Roebuck:** Yes; he will come in the higher schedule.

**Hon. Mr. Campbell:** In that connection there will be certain conditions which will give rise to individual problems: there is no question about that.

**Hon. Mr. Hayden:** Is the honourable member suggesting that in those circumstances the amount of the profit in excess of the amount of depreciation charged off subsequent to January 1, 1949, would be added to his taxable income?

**Hon. Mr. Campbell:** No.

**Hon. Mr. Hayden:** It would always be limited by the amount of depreciation he had actually charged since January 1, 1949.