

of live stock and implements which has come about through the general advance in prices should be discounted and an equal amount of this property valued on the same basis per unit for both years. That is a national revenue matter.

12. Uniformity of interpretation and administration of the income tax act. It should not be left to the discretion of district inspectors to vary the provisions of the act. That is national revenue.

13. Brushing and breaking of new land should be considered as a current expense. That is national revenue.

14. Money expended in drilling or boring wells or excavating dugouts on the farm together with all equipment for same should be chargeable as a current expense. That is national revenue. It is a question of whether it is capital or revenue expenditure.

Those are the fourteen points.

Mr. JACKMAN: There is another point.

Mr. McCANN: Perhaps I might be permitted to deal with two or three of the points the Minister of Finance missed.

Mr. ABBOTT: I refer it to your skilful attention.

Mr. McCANN: This afternoon the hon. member for Wood Mountain raised a point in connection with section 16, with reference to money expended in drilling or boring wells or excavating dugouts on the farms, together with all equipment for those operations, with the suggestion that it should be chargeable as a current expense.

Such expenses are inherently of a capital nature and, in accordance with recognized accounting principles in the case of business and entrepreneur classes in general, would be capital expenditures and not a deduction from income. However, it has been the practice of the division for simplicity of administration to allow such expenditures as a charge to income if they do not run into any substantial sum. Relatively shallow wells which are apt to go dry fairly quickly and not costing more than \$250 to \$300 are usually allowed as an item of expense in the year in which made, rather than spread over the two or three years of the possible life of the well. This also applies to the ordinary run of dugout. However, large deep wells and large dugouts would naturally have to be treated in their proper category as capital expenditures. I believe that affords rather generous treatment to farmers, and that perhaps it meets the wishes and demands of the hon. member who raised the question.

[Mr. Abbott.]

Mr. ARGUE: Is depreciation allowed on the wells?

Mr. McCANN: No, there is no depreciation for wells. There might be a windmill which went into it.

Mr. JOHNSTON: Is there not a ten per cent depreciation?

Mr. McCANN: The next recommendation is that the brushing and breaking of new land should be considered as a current expense.

In point of fact, casual and incidental brushing and breaking are usually accepted as a current expense. A major piece of work sometimes involving twenty or thirty dollars an acre for a considerable area is obviously a capital expenditure just as would be the brushing and clearing of land for a new airport or new factory. Expenditures on the development of land are frequently of considerably more value than the amount of the actual outlay, and it is only fair that the amount of such expenditures should be charged to capital. It is not only fair but in keeping with universally recognized accounting principles.

The special allowances which were made to those engaged in drilling for oil were a war-time measure based on the nation's then desperate need for gasoline for military use. These were exceptional measures for conditions of exceptional national danger.

The third recommendation is with respect to the uniformity of interpretation and administration of the income tax act, and the suggestion that it should not be left to the discretion of district inspectors to vary the provisions of the act.

No evidence has been forthcoming to show that the directors of the district offices do, in point of fact, vary the provisions of the act, but in the administration of thousands of cases in which there may be widely varying circumstances the directors and their assessors must naturally be allowed to use their own judgment to a reasonable degree. Overly rigid rules would be more likely to work injustices to individual taxpayers than the situation under which responsible officers are given some freedom to interpret in a reasonable and logical way the broad principles laid down for their guidance.

It is quite possible that in a limited number of instances some differences of interpretation may arise on relatively minor points. To keep such differences at a minimum, however, meetings have been held from time to time among the officials charged with this work