

On Section 43—Interpretation.

Dr. EATON: This is an amendment to the definition section, and relates to provisions under sections which we have already dealt with.

Section 43 was agreed to.

On Section 44—Application.

Mr. GAVSIE: This amendment makes certain sections of the Income Tax Act applicable to the Income War Tax Act, in so far as we are still collecting arrears is concerned. We are amending it to make applicable additional administrative provisions of the Income Tax Act.

Hon. Mr. LAMBERT: It affects arrears only?

Mr. GAVSIE: Yes.

The CHAIRMAN: I should like to ask these two gentlemen that if there is anything behind these two clauses that this worthy body does not see, that they will call our attention to it. I presume there is nothing sinister about it.

Mr. GAVSIE: I am certainly operating on that basis.

Hon. Mr. McKEEN: There is nothing retroactive about it?

Mr. GAVSIE: No.

On Section 45—Newfoundland tax.

Mr. GAVSIE: This is an amendment to give relief to certain persons resident in Newfoundland for the transition period.

Hon. Mr. HAIG: I do not like it, but we have it.

The CHAIRMAN: Has Newfoundland anything to say about it? I suppose not.

Section 45 agreed to.

On Section 46—Deductions from income of corporation in petroleum or natural gas business.

Dr. EATON: The substance of this section is to renew for a further year the rights and privileges of oil, gas and mining industry.

The CHAIRMAN: Nobody would object to that.

Dr. EATON: There are certain other amendments; they are alleviating provisions. In the past the department has ruled that lease rentals, in the case of exploration expenses, were not deductible. This makes provision for their deductibility up to \$1.00 per acre, which is practically the standard rate. There is a further minor provision correcting an omission in the bill passed last year. The words "the lesser of" were left out of the act, and it made practical nonsense without them. There is a further provision relating to deep-test wells where the credit can be secured, if there is deepening of a deep-test well rather than a spudding in from the surface. Technical points of that kind, I think, cover what is in it.

Hon. Mr. HAIG: I cannot follow you.

Dr. EATON: The drilling expenses are deductible. The general principle is that the off property, wild-cat exploration and drilling expenses are deductible where they would otherwise not be. In addition, in the case of what are called deep-test wells which are approved by the Minister of Mines and Resources as being special cases, where the department is interested in securing information with respect to formations in that district, there is a tax credit in addition to the write-off equal to 20 per cent of the expenditure incurred on these deep-test wells.

Hon. Mr. CRERAR: Does that apply to mining corporations exploring for metals?