

Income Tax Act

years, it could pull out and, because everything was leased, there would not be the same interest or same amount of capital at stake.

In fairness to the promotion of a designated area I think they should own their property, their buildings and equipment, rather than be allowed to lease them.

Mr. Gordon: That is a point of view, Mr. Chairman. However, I think that from the standpoint of getting a new business going in the lower St. Lawrence region, on the Gaspé coast, or some place like that which badly needs something new, it does not make very much difference in an economic sense whether the people who are embarking on that new enterprise succeed in raising all the capital they need to finance a new building, or whether they finance it under some leasing arrangement. The building will be there. It is something that is physical and, in drafting this, we did not think we should make it more difficult for some moderate sized concern to get under way in some of these designated areas. That is the only purpose of the words "or leased", because in quite a number of cases this is a normal way of financing.

[Translation]

Mr. Martineau: Mr. Chairman, in the French text of clause 13(3)(a), it says:

"situés dans la région désignée qui avait été possédés ou loués par la personne—

In the English text, there is consequently no possession; it says "owned", that is ownership.

In my opinion, the way that text is drafted could give a certain loophole to companies that would come into those underdeveloped areas. As a matter of fact, a company may very well be in possession of some machinery or equipment, while that equipment or machinery is not owned by it. Thus, they could, by alleging possession, defeat the intent of the act which provides that 95 per cent of the machinery must be leased or owned by the company settling in that area.

Perhaps it would be proper for the minister to read again the French text in order to eliminate that loophole.

[Text]

Mr. Gordon: If there is a difference between the French and English texts they should obviously be brought into line. I was just consulting my favourite translator here, to see what might be done. I am not yet clear as to the difference which the hon. gentleman has pointed out.

Mr. Martineau: The difference is between ownership and possession. The French text would enable a company "possessing" 95 per

[Mr. Hales.]

cent of the equipment to benefit from the provision, but I think the intention is that the company owning or leasing it should benefit.

Mr. Gordon: I am grateful to the hon. member for bringing this to our attention and we shall see that the change is made.

The Chairman: Do I understand it is the intention to let this stand while we go on to the other matters dealt with in this particular clause?

Mr. Gordon: I wonder if we could carry on with the English text, which does reflect what is intended. Then we might ask the translation service to make sure that the French text is corrected so as to be on all fours with the English text.

[Translation]

Mr. Martineau: The minister is not suggesting that the English version is more official than the French version, is he?

[Text]

Mr. Gordon: No, it simply implies that with my limited abilities in this field it is the only one I am sure about.

Mr. Monteith: Before we leave the subject of designated areas, may I ask whether the allowance extends beyond the three year period, that is, the allowance applicable to a designated area?

Mr. Gordon: All new businesses establishing themselves in designated areas must come into commercial production within the three year period, that is, the period before March 31, 1967. The benefits they receive apply to a three year period from the time they come into commercial production. So the benefits would apply either from March 31, 1967, for three years, or—if a company had come into operation a year earlier—from March 31, 1966.

Mr. Monteith: Would the fact that a certain area which had been considered a designated area was no longer included in that category affect the situation?

Mr. Gordon: This amendment in subclause (5) is intended to take care of the situation to which the hon. member has just referred. If a designated area is—I almost said "desegregated"—if an area ceases to be designated, companies could be left high and dry. This provision provides a formula under which their interests and rights are protected.

Mr. Monteith: For the three year period.

Mr. Gordon: Yes. But if they had only said they intended to establish a business in the