

ciation and so much for bad debts, would not the minister consider it fair that that should be allowed? I am not talking about the future, because a business firm might have a motive in writing off more than they should; I speak only of the past. In any case, when the owner of a business writes an amount off, he knows that it is speculative as to what his losses will be so far as book debts are concerned. Further, when a firm has had a fairly good year, it is possible that they may write off a little more than they would if their profits had been very small. It seems to me that in this respect the minister is drawing a line which is, perhaps, rather fine, and that it may require considerable litigation, if I may use the expression in this case to settle matters.

Sir THOMAS WHITE: The purpose of this provision is not to give the departments power to deal harshly with individuals; it is merely to prevent an evasion of the Act.

Mr. COPP: In subsection 3 of section 5, which deals with deductions from profits, special reference is made to the mining industry. It is provided that the minister, when determining the profits derived from mining, may make an allowance for the exhaustion of the mine. It is quite proper and right that such allowance should be made, but why should not the same provision be made with respect to timber limits and lumber concerns?

Sir THOMAS WHITE: There are many classes of business to which this principle would undoubtedly apply. In some cases a large percentage would have to be allowed—in the case of mines, for example—and in the case of other properties a less percentage. In my judgment it is not necessary that we should particularize all the classes of business to which the principle should apply, because we are using the expression "net profits." In determining the net profits a proper amount would have to be allowed for depreciation or waste or exhaustion. In the resolution as brought down, the words "net profits" were, in my judgment, quite sufficient to indicate that we would make an allowance for exhaustion of capital. But there was some apprehension on the part of the mining industry, and we put in these words to show the intention of the legislation in that regard. Without doubt it is proper to allow for depletion or exhaustion of capital

in connection with many classes of business, as, for instance, oil companies and timber companies, as my hon. friend has suggested.

Mr. ROBB: What does the hon. minister mean by "net profits?" Are they to be reckoned after the dividend has been paid?

Sir THOMAS WHITE: Oh, no. Dividends are paid out of net profits. A company has many sources of income; from the gross amount of its profits, so-called, there must be deducted charges of administration, interest on bonds, allowance for depreciation, and other proper charges such as we have been discussing this afternoon, and the result is the net profits. The net profits represent the amount which it would be proper to disburse to the shareholders, if the board of directors saw fit.

Sub-paragraph 3 of paragraph 5 agreed to.

On paragraph 5, sub-paragraph 4:

Mr. A. K. MACLEAN: In the case of a business where the directors are the shareholders, or in the case of a partnership where the partners are the managers, and it is not their practice to accept any salary, would that circumstances be taken into consideration when determining the assessment for the past accounting period?

Sir THOMAS WHITE: I think it should, undoubtedly.

Mr. McCREA: In many cases the people in charge of a concern in its early stages, in order to help it along, are very moderate in their requests for remuneration for their services. Owing to the war, the profits of many industries are larger, and, as a rule, people are more generous when the profits are larger, and are inclined to pay higher salaries. I assume that this is what the minister means by this provision: having regard to the remuneration of the officers of any particular company in past years, it would be in the discretion of the minister as to whether the remuneration now paid is or is not reasonable.

Sir THOMAS WHITE: The section is intended to prevent increase of salaries for the purpose of evading the Act.

Sub-paragraph 4 of paragraph 5 agreed to.

SOLDIERS' PENSIONS.

The House having resumed:

Sir ROBERT BORDEN: Before you leave the Chair, Mr. Speaker, with the consent of