

*Income War Tax Act*

other words, as regards a business block owned in Winnipeg with rents derived therefrom, irrespective of where the owner lives, we are simply taking a situs of the real estate on this question. Is it intended to tax the rent in that instance? If that is the intention of the section, how would it apply to a person domiciled in Great Britain? You will again have the situs brought into consideration there. I understand the minister to say he does not care where the situs is at all. Would the same income tax not be paid in England again and would the person not be paying a double income tax?

Sir HENRY DRAYTON: Perhaps the present minister has not had to go into this question yet, but there is double taxation. We have not been able to get this threshed out completely. At one time we had two complete sets of taxation. The point I am trying to make is this. As I understood the matter—and I know I am right from the way in which the department was formerly administered—rents payable in Canada by tenants—and that is how they are payable—to local agents were taxable. The agent was taxed for them and he was held responsible for them. A great number of the non-residents collected the rents through banks or trust companies. Under the law, trust companies have to make a complete return of the rents paid and they are taxed on those rents. While at the same time they have also to make a return on the interest money of the trusts in their hands for mortgages and the like, the law is different, for in that instance the non-resident is not carrying on business here and he is being taxed at home the full amount of the income he receives. If we put on a double tax here, we would be practically saying to the foreign investor: There is no good in investing in Canada. All that this can do is to make the law a little clearer in the case of leases. This is not any change in the law.

Mr. ROBB: There is no change in the law or in the administration. As my hon. friend has just said, Great Britain and the United States give us credit in part for taxes paid and we reciprocate. We are carrying on in practice as my hon. friend has stated, but there is some doubt as to the legality of it and this is simply to make the act clear.

Mr. MARLER: The clause is an exceedingly broad one. There is no attempt under this clause to apply the principle of domicile

[Mr. Marler.]

as regards taxation under the Income War Tax Act?

Mr. ROBB: None whatever.

Section 3, paragraph (b) agreed to.

On section 4, paragraph (c)—Annual value of property.

Mr. HANSON: What is the effect of this?

Mr. ROBB: The object of this provision is to remove any doubt as to the right of a taxpayer in business who owns his business premises free from encumbrances to a deduction of the annual value of those premises. On the other hand, it is desired to allow rent actually paid to an outside party to be charged as an expense.

Sir HENRY DRAYTON: I think that again is as the law was before. That is not a change in the law.

Mr. ROBB: No, it is to make it clear.

Sir HENRY DRAYTON: I do not think it is necessary. It is, however, a good thing to have.

Section 4, paragraph (c) agreed to.

On section 4, paragraph (d)—Reserves, contingent accounts or sinking funds.

Mr. MARLER: Is that part of the act already?

Mr. ROBB: Yes.

Sir HENRY DRAYTON: There is one thing which I suppose the legal advisers of the department have watched. It is perfectly obvious that rent never paid is not a deduction; it is not an expense and therefore it could not be deducted. I wonder whether there is not a danger, when we undertake to specify one thing, that we shall not excuse something else of the same class. We are saying that one thing ought not to be regarded as deducted; well, there are several other things which might be similarly represented. There used to be a general section which allowed pretty full discretion to the department in ruling on these things. If you have not something like that it may be that in naming one thing specifically you are excusing the rest.

Mr. ROBB: Our act is based upon the English law and a recent decision given in the courts of Great Britain has brought this matter to the attention of the department.

Sir HENRY DRAYTON: It is under legal advice?