

point there is no objection to putting in a restriction or a guarding clause. These companies of which I speak were set up and had nothing to do with taxation whatsoever, but they are now caught.

Mr. SINCLAIR (M.P.): But businessmen for exactly the same reason—

Hon. Mr. McLEAN: But I do not like the idea of being suspicious of everybody. If subsidiaries formed for the purpose of getting off easier in taxation cannot satisfy the department, then the department would not have to allow them anything. As to these companies of which I speak, we can go back and satisfy anybody in the department from the evidence that the companies were not set up to evade taxation in any shape or form. If companies in the future cannot satisfy the department, there is no reason why they should not be taxed.

Hon. Mr. McDONALD: Mr. Chairman, what amount of revenue is expected from the application of this section?

Hon. Mr. HAYDEN: None. That is what we were told this morning.

The CHAIRMAN: As I understood the statement it was the reduction by virtue of 10 per cent on the first \$10,000 would be set off by the income from the additional 3 per cent, with the result that the total amount of corporation taxation would be about the same; in other words, the burden on the shareholder in the aggregate will not be changed.

Hon. Mr. CAMPBELL: Mr. Chairman, I have every sympathy with the small shareholder in the minority group, provided he owns just a few shares in his company. But if we give effect to the argument presented here by Senator McLean, and others, that the greatest benefit is in favour of the controlling interest—in other words, if we extend this principle to include all companies related or otherwise, prior to 1949, then the person who gets the greatest benefit is the large shareholder who has control of many companies.

The CHAIRMAN: Right.

Hon. Mr. CAMPBELL: I do not think that is intended by the legislation. As this is a relieving section, new in principle, I think it is a favourable provision meant to help out the small businessman. We should, therefore, adopt the section as it stands, and I so move.

Hon. Mr. McLEAN: In reply to Senator Campbell, I would ask him how is it going to help the one who is managing the company? The books of most of these companies are audited by a chartered accountant; they have their own profits. Take for instance a utility company operating in a small town, and for economic reasons the town manages the company; the books are all under the public utilities board, and their profits are audited and a statement submitted. In those circumstances, how on earth is this section going to help out the parent company? It is ridiculous to say that it would.

Hon. Mr. CAMPBELL: I think the explanation is very simple. For instance, assuming you control ten companies earning \$10,000 a year; that means there is \$100,000 annual earnings from those companies. You get your share of 50 per cent of those earnings, which is \$50,000, subject to 10 per cent. Now, the minority shareholders in these other companies will undoubtedly be spread over many people, and in effect, you as a large shareholder in these ten companies will benefit greatly, as against the other man who has one company earning \$100,000.

Hon. Mr. McLEAN: Well in a parent company generally \$10,000 would not amount to such an awul lot. There are very few companies where you would find ten or more getting any advantage from this taxation, but I certainly know a lot of companies where the larger company has helped out by practical philanthropy, smaller companies to give a public service. It may be cold storage, it may be light, heat and power service or something like that, but something that is entirely unrelated to the product or manufacture. A company in the mining or the lumber business may go into something to help the