

Mr. FULTON: Is it contemplated to introduce any such amendment to the Dominion Companies' Act as would enable a company to change its articles of memorandum and take advantage of this?

Hon. Mr. ABBOTT: I have never heard it suggested.

Mr. IRVINE: It might be suggested provided the companies and their customers are one and the same people.

The CHAIRMAN: It should also be said, and I am surprised that someone has not mentioned it, that co-operatives are under many restrictions which do not apply to ordinary companies. They must pay out 80 per cent of their earnings yearly. Their members only vote once whether they hold one share or a thousand shares. They are under certain restrictive measures, and obviously their powers would be different. There is not anything mysterious about that.

Mr. JAENICKE: Is not this distinction true that any corporation if they set aside a reserve are taxed on that and a co-operative is not, but their shareholders are taxed, so in each case they are only taxed once? Is that not the situation?

Mr. JACKETT: If a co-operative sets aside a reserve it is taxable.

Hon. Mr. ABBOTT: In the law there is no definition of a co-operative as such. They are not given special tax treatment. In accordance with the provisions of the McDougall report patronage dividends are allowed to be deducted from gross income whether they are paid by a so-called co-operative or paid by a private corporation. That is the central recommendation of the McDougall report.

Mr. FULTON: My recollection of what was said when the bill was first introduced in 1946 is that it was said then, and I think the position was fair and was accepted as such, that what co-operatives were being allowed to do under the Act as then introduced would also be available to corporations if they cared to avail themselves of the same, in other words, follow the same general provisions. What I am asking in effect is are we giving an opportunity for co-operatives to do something which opportunity will not be available to corporations by virtue of their set-up?

Mr. JACKETT: As I understand it co-operatives will be in the same position as other corporations. They will both have to go to the legislatures which passed the statute under which they were incorporated and get the power to pass by-laws of this kind.

The CHAIRMAN: Are you ready for the question?

Mr. HAZEN: May I ask one question? I have here a wire that was sent to the chairman, dated June 16, from George S. Hougham, General Manager of the Canadian Retail Federation.

The CHAIRMAN: I read that to the committee.

Mr. HAZEN: In the course of the wire he says:

"Commission"—

that is the royal commission that had to do with co-operatives—

"established that co-operatives make profits and resulting legislation provided their reserves could not be increased without such additions being taxed as in the case of ordinary business."

Is that statement incorrect?

Mr. EATON: Perhaps I might follow on from where Mr. Jackett left off. If an ordinary corporation has the power to do what is contemplated in this law—

The CHAIRMAN: Takes the power.

Mr. EATON: Takes the power to do it then the reserves so-called that are built up will be built up in exactly the same way as they will by what is known as a co-operative. The point I made originally was in both cases they would