

whole of the profits as resulting from the sale by the agent in the Mother Country. That, of course, would have left the home plant without any profit at all. That is one proposition we have under this section. The next proposition is the reverse. It treats the profits as something earned not through the agency at all, but at the productive source. So we have propositions working both ways. The position in regard to the sales agent here would be the converse of the position taken in the class of cases I have drawn to the minister's attention in England, having regard to the first part of the section, because here we have the right of taxing profits which arise from sales, through an agent, of manufactured articles imported, we will say, from Great Britain. What would be the position there? Under the law before, we took the position that we have abrogated here, that all the profits were to be taken as coming here. The sale was a mere incident. The profits would arise not so much from the sale as from the manufacture. How is it to be done? I suppose it could be done by treating the goods as coming here at a certain wholesale rate and then charging a profit on sales earned by the agent at figures higher than the wholesale rate. If it was done in that way, **it would be consistent** with the former stand that we have taken. In connection with matters locally, which are dealt with in the second part of the section, matters of royalties, and so forth, will you there have to come down to profits on the wholesaler's or jobber's rate? You could not probably get under these circumstances on anything sold out of the country the total profits based on the final sale.

Mr. ROBB: My hon. friend is quite right in the interpretation with the exception of the last part. The royalties are paid in Canada.

Sir HENRY DRAYTON: Royalties and leases would be; the minister is quite right.

Mr. MARLER: There are two thoughts in this section. The second part says:

Or any non-resident person who lets or leases anything used in Canada, or who receives a royalty or other similar payment for anything used or sold in Canada, shall be deemed to be carrying on business.

And so forth. Would the effect of that be that, as regards non-residents owning real estate in Canada and deriving income proportionately from that, that income from real estate would be taxable in Canada? In other words, would a person living in England, being a Canadian non-resident, and deriving a considerable portion of income from real estate, have to pay income tax?

Sir HENRY DRAYTON: Always on his real estate. That is the present law.

Mr. MARLER: No. The present law is that income tax is regulated by residence, not by domicile at all.

Sir HENRY DRAYTON: No. That is the way I have been following these sections, and the commissioner is here to correct me if I am wrong. The hon. member is perfectly right in part in what he says. There are two underlying principles. The one is residence, as he says. The other is the carrying on of business. Let us take a Canadian national living in England, the case the hon. member puts. Supposing the Canadian national living in England, has mortgages, has lent money here. They are not taxable. That is not carrying on a business. On the other hand, if that non-resident owned realty in Canada and through his agents here, as he would have to act, received rents, he would be taxable for those rents under the existing law. At least, I know that is how the act has been administered.

Mr. MARLER: Perhaps the minister will enlighten us on that point.

Mr. ROBB: We are trying to do as my hon. friend observes, but we have not been able to under the law.

Sir HENRY DRAYTON: It has been done under the law.

Mr. ROBB: In practice, in the administration of the act we have discovered an individual who owns in a western city large blocks of houses and office buildings from which he is collecting rentals. He is living, not in Great Britain, not within any of the British dominions, but in a foreign country.

Sir HENRY DRAYTON: That would not change the principle.

Mr. ROBB: We think that man should contribute to the revenue of Canada.

Sir HENRY DRAYTON: But he ought to do so now under the present law.

Mr. MARLER: Supposing an English resident or a person domiciled in England owns the same houses here, is he taxed? Is he considered a resident for the purpose of this tax?

Mr. ROBB: He is carrying on business.

Mr. MARLER: A man who owns real estate does not necessarily carry on business. Is the minister simply attempting to take situs of the real estate on this question? In