

can really recognize an incentive is if you pay less tax. In other words, you are allowed to retain a larger percentage of the earnings that you produce.

I think that perhaps we have pushed that one around a lot, and I don't think there is anything more you can add. I take it that on the question of integration you are opposed to the proposals contained in the White Paper. Is that a fair assumption?

**Mr. Mulholland:** That is a fair assumption.

**The Chairman:** And you would favour the dividend tax credit?

**Mr. MacDonell:** I think that is correct.

**The Chairman:** Even if some limitations were found to be necessary on the basis that the dividend tax credit was earned whether the corporation paying the dividend has paid taxes or not.

**Mr. MacDonell:** I think that is true, and I think as I pointed out earlier that when you look to the underlying reasons for a corporation's not paying tax, you realize that in many cases it really has in effect paid taxes or has technically paid taxes.

**Mr. Mulholland:** Senator, you made a point a little while ago about confusion between collecting funds and disbursing funds in connection with the Public Utilities Income Tax Transfer Act.

**Senator Carter:** Would the witness speak up louder, please, it is impossible to hear.

**Mr. Mulholland:** You can have the same kind of confusion when you are talking about depreciation, capital cost allowances and incentives. There is no sense in granting an incentive with one hand and taking it back with the other.

**The Chairman:** That is right. That criticism would apply particularly to the integration proposals.

**Mr. Mulholland:** So. I am making this remark apropos your statement on taxes and whether or not the company paid taxes; if the reason that it did not pay taxes was because of incentives such as capital cost allowances, tax free holiday or depletion or something like that. But why should the credit not stand? In granting that incentive, you are trying to do something quite different, and if in trying to get that company to do something, you are not trying to deter the investor from investing.

**The Chairman:** Well, the Government follows that principle somewhat in the depressed area provisions where in some cases you get capital grants and you can include them in your assets for depreciation purposes when you put them into buildings, etc. So this is one case where you are not hurt. I mean by that that you get full benefit of what you have produced in the way of buildings no matter where the money came from, whereas you did have under our area designation legislation entitlement in some circumstances to a tax holiday period. So it would not appear that it could be said that the tax holiday is morally bad. The White Paper seems to spurn it on the basis that it is morally bad to have such a thing.

**Mr. Mulholland:** There is a strong undercurrent of feeling that it is a fundamentally right thing that there should be a tax credit only depending on what tax situation the company was in that paid the dividend, and in fact due to some other Government programs of incentives, if it did not, and the money was disbursed in some other way, the credit should not follow. I am afraid I cannot go along with that reasoning at all any more than if the Government happened to tax the company and the funds were spent on, let us say, welfare payments and schools and yet you had a provision in the law that said that if a company's taxes were spent on schools, there would not be a credit. To me it doesn't make much sense.

**The Chairman:** I think you have a point there. In other words, it is not a sufficient answer, in order to reject a dividend tax credit method, to say "yes, but some shareholders will get money that has not been through the wringer of taxation".

**Mr. Mulholland:** That is one of these superficially plausible things that if you do not think about it sounds all right, but if you happen to consider it, and start to take it apart, you begin to wonder if it is one of the fundamental truths after all or if it is something that is just a *non sequitur*. I happen to think that it is.

**The Chairman:** There are many *non sequiturs* in the White Paper, even on the question of creditable tax.

**Senator Carter:** In your brief you say you are preparing the development of a copper mine at Deer Lake. Will the tax proposals affect the continuation of that development, or will you postpone it?

**Mr. Mulholland:** I do not think I can give you an answer, because I do not have one. We have to do more work to see how critical the economics are.