

Mr. GAUSIE: I do not want to make any suggestions as to whether or not they are being taxed enough. That is not my function. Parliament in 1947 provided for their taxation, and we have taken it up with them; we have indicated to them what we regard as their income, which is subject to taxation under the law.

Hon. Mr. NICOL: Are the reciprocals paying any taxation on their profits?

Mr. GAUSIE: They will be taxed.

Hon. Mr. NICOL: I am not concerned with whether they will be, but are they being taxed on their profits?

Mr. GAUSIE: I think the answer is "yes".

Hon. Mr. NICOL: If they are not making profits they return money to their policyholders.

Mr. GAUSIE: I cannot answer that. I have taken an oath of secrecy, but in this case I can speak freely and say that I do not know whether they are making a profit; but, certainly, if they have an income they will be taxed in accordance with the law. They are subject to tax, and we are proceeding to assess them.

Hon. Mr. HUGESSEN: But this section—

Mr. GAUSIE: It has nothing to do with it. The provision for taxing them is found in the Act itself. All this section does is deal with the non-residents, and refers particularly to life companies. They have a portfolio in Canada now; technically, they should be subject to withholding taxes on all their interest and dividends from that portfolio in Canada, but there is a certain part of that portfolio which is maintained in Canada. They are required by the Insurance Act to have sufficient securities to cover their liabilities in Canada, and what is now being discussed with the life companies is a procedure whereby the portfolio that relates to their liabilities in Canada might be relieved of the 15 per cent tax. This is just enabling legislation, and when the formula is worked out it will go into legal effect.

Hon. Mr. NICOL: Have the reciprocals any deposit with the department?

Mr. GAUSIE: Not with our department, but I believe they have with the Insurance Department.

Hon. Mr. HAYDEN: They must have.

Hon. Mr. NICOL: They have no capital.

Subsections (2) and (3) were agreed to.

The section was agreed to.

On section 40—deduction.

Mr. GAUSIE: That is exactly the same thing. That is part of what we have been discussing. If we work out this arrangement we would have to make some arrangement providing for the insurance companies making a return of the amount of their income, and paying the tax.

The section was agreed to.

On section 41—optional method of payment.

Mr. GAUSIE: There is a provision in the Act that in the case of a non-resident holding real estate in Canada there is a 15 per cent withholding tax on the gross. There is also a provision in the Act that non-residents can file on a net basis. This is a provision to allow of the operation of an optional method as far as withholding is concerned pending the filing of the return on the net basis. Under the law as it exists at the present time the agent has no alternative but to withhold the 15 per cent on the gross and remit it to the department, and when the non-resident files on a net basis, to apply for a refund. This sets up a method whereby the agent, if he files an undertaking from the non-resident to file the