

payable to a non-resident in Canadian currency solely. We had to make the provision there that in the case of parent-subsidiary relationship the tax applied even though the interest was payable in a foreign currency, because it was so easy for the parent and subsidiary to re-write their agreement and avoid the tax. This merely broadens it out to include corporations not dealing at arms length; that is, not merely parent-subsidiaries but corporations not dealing at arms length. There are instances where corporations make payments to another company, both of which are owned by another corporation. Here collusion would be equally easy.

Hon. Mr. McKEEN: Is there any provision whereby a company not dealing at arms length can consult with the department about deals to be made between two companies, as to whether or not they would be considered proper deals?

Mr. GAVSIE: There is no provision in the act, but it is being done all the time.

The CHAIRMAN: Shall section 33 carry?

Some Hon. SENATORS: Carried.

Section 33 was agreed to.

On Section 34—Tax Non Payable by Non-Resident Persons.

Dr. EATON: This provision, sir, abates the 15 per cent tax on non-resident persons in certain circumstances. For example, it may be that a Canadian company owns the public utilities in another country, and the earnings of the public utilities come into Canada and may go abroad. If they go abroad to the other country in which the public utilities are located, the shareholders of the Canadian company are relieved of the 15 per cent tax. Their argument was that the profits were earned in their country, and merely came into Canada, to the head office, and went back to the other country.

Hon. Mr. BURCHILL: They would be residents of the country where the public utility was being operated.

Dr. EATON: That is correct. It applies to those, and no one else.

Some Hon. SENATORS: Carried.

On Section 35—Deemed to be dividend.

The CHAIRMAN: Will you explain that section?

Dr. EATON: The amendment is in part to correct a technical error, and in part consequential upon the repeal of section 9, which I spoke of a moment ago, and which is re-enacted in section 73. I think that substantially covers it. I may say that in drafting this rather complicated law we ran into a number of circumstances where there had to be purely technical corrections and cross-references. This is that type of clause.

Some Hon. SENATORS: Carried.

Section 35 was agreed to.

On Section 36—Gifts.

Dr. EATON: I have an amendment, sir, that the Minister of Finance asked me to request you to deal with.

The CHAIRMAN: Will you explain it?

Dr. EATON: A few minutes ago I referred to amendments which were necessary as to charitable organizations and charitable trusts. This amendment merely adds to the gift tax section, which exempts from gift tax certain contributions; and the amendment has the effect of exempting from the gift tax gifts to the charitable trusts as well as other charitable foundations and charitable organizations. This merely adds the provision consequential upon that previous amendment to clause 21.