

Hon. Mr. HAIG: That is in their income tax return?

Dr. EATON: That is right, sir. That, I believe, was precluded by the existing law as introduced at the commencement of 1949. I believe that is the main point of interest in this section.

Some Hon. SENATORS: Carried.

Section 22 was agreed to.

On Section 23—Dividend from Personal Corporation.

Dr. EATON: Section 23, sir, is purely a technical amendment. Subclause 1 is merely a correction of cross reference, and subclause 2 is a technical amendment arising out of the new provisions in respect of dividends deemed to have been declared under section 73. It is purely to establish a technical sequence to avoid confusion.

Some Hon. SENATORS: Carried.

Section 23 was agreed to.

On Section 24—Non-application of par. (a), ss. (2), sec. 73.

Dr. EATON: This, sir, is an amendment taking care of a certain situation with regard to cooperatives. The general law is that upon redemption of common stock the shareholder is deemed to receive a dividend equal to the undistributed income on hand of that corporation. In the case of co-operatives it is the frequent practice that a farmer, for example, who is a member or shareholder of the co-operative wishes to retire, and the co-operatives like to keep their membership co-extensive with their patrons. When a farmer retires they frequently purchase his share from him; they redeem that share. This amendment relieves that shareholder from being deemed to have received a dividend upon redemption of his share.

Hon. Mr. McKEEN: Suppose that only a part is redeemed? Would it then be deemed to be a dividend?

Dr. EATON: No. This would free, in the case of companies incorporated under the co-operative law, any shareholder.

Hon. Mr. McKEEN: But what about the case of a man who does not wish to withdraw from the company, but just sells a part of his share?

Dr. EATON: It would be applicable to every shareholder.

Hon. Mr. McKEEN: But what is it intended to do? It was provided that when a shareholder withdrew from the company, his share would be purchased, his money given back to him, and it would not be deemed to be a dividend; but, if he stayed in the company and sold only part of his share, I do not see why the same provision should not apply.

Dr. EATON: I think you are correct. The redemption of any number of shares by a corporation incorporated under the co-operative legislation, would come under the section.

Hon. Mr. McKEEN: If it applies to co-operatives why should it not apply also to incorporated companies? Does not the same provision apply there?

Hon. Mr. KINLEY: It does not apply individually to co-operative companies. There is a difference here.

Hon. Mr. HAIG: It gives co-operatives a power that ordinary companies do not have.

Dr. EATON: That is correct.

Hon. Mr. HAIG: I do not like the idea, but it is being done.

Hon. Mr. KINLEY: An ordinary company has to take the reserves and put them into capital in order to do that; but they can do it individually in a co-operative. According to this, each individual shareholder in a co-operative has that privilege.