

of from \$700,000 to \$2,500,000 a year in taxes. They are not the ones who are entitled to relief.

Hon. Mr. BENCH: May I ask the honourable gentleman from Toronto whether the mutual companies are relieved from income tax to the extent to which they disperse dividends to their policyholders?

Hon. Mr. CAMPBELL: Yes, that is correct.

Hon. Mr. BENCH: That applies to mutual fire insurance companies, and it is proposed to apply it to other companies?

Hon. Mr. CAMPBELL: Yes.

Hon. Mr. EULER: The mutual insurance companies, as I have said before, do not profit from underwriting to any extent. Their profits come from investments, and they apply them in any way they can to increase their reserves. I think it has been recognized throughout that these mutual stock companies have no capital stock, and that the reserves are built up for the benefit and protection of the policyholders. They must be maintained and increased each year as business expands and the number of policyholders increases.

Hon. Mr. BENCH: So far as investment income is concerned, the policyholders really cannot expect dividends from that source?

Hon. Mr. EULER: No.

The CHAIRMAN: Shall the amendment carry? Those in favour of the amendment will please say "content."

Some Hon. SENATORS: Content!

The CHAIRMAN: Those opposed to the amendment will say "non-content."

Some Hon. SENATORS: Non-content!

The CHAIRMAN: In my opinion the "non-contents" have it.

Hon. Mr. MORAUD: I call for a standing vote.

The amendment was negated: contents 12; non-contents, 16.

On amendment 2—

The CHAIRMAN: The second amendment reads:

Page 26, after line 31: Add the following as subclause (3) to new clause 69B:—

"(3) Upon any appeal, the Income Tax Appeal board shall have power to determine all disputes between taxpayers and the Department of National Revenue with respect to taxes payable under this act, and in determining any question before it shall have and may exercise all the powers and discretions vested in the minister by this act, and, notwithstanding any previous exercise or pur-

Hon. Mr. MURDOCK.

ported exercise thereof by the minister, shall exercise such powers and discretions in the manner in which, in the opinion of the board, the minister should have exercised the same in the first instance."

Shall this amendment carry?

Hon. Mr. ROBERTSON: In opposing this amendment I would point out that the procedure under this bill is well in advance of past procedure in so far as it relates to a taxpayer who feels that he has not been fairly treated in the matter of assessment. A taxpayer who has reason to believe that his assessment is not as it should be, has the right to appeal to a tax appeal board on all matters of law and fact. If he is not satisfied with the decision of the board, he may go to the Exchequer Court and, I presume, from there to the Supreme Court of Canada, if he so desires.

There are matters which are hard to designate specifically, but as to which in countless cases in the past the minister has undertaken to exercise a discretion. Up to the present time no machinery has been set up providing for an appeal from this discretion. Section 69E, at page 27 of the bill, sets out provisions under which the minister is given discretion as to certain definite matters, and a taxpayer who objects to a decision of the minister made in the exercise of a power conferred by one of these provisions has a right to appeal to what is known as the Income Tax Advisory Board. Upon receiving the report of this board the minister must reconsider his decision. But while the minister is required to have the case referred to the Advisory Board, and must reconsider his judgment in the light of its recommendations, in the final analysis the minister is supreme and must take full responsibility for his actions.

As I understand the effect of this amendment, the Advisory Board is done away with, and so is the discretion of the minister. The amendment purports to substitute for the minister the Tax Appeal Board, which will be supreme in all matters relating to the Income Tax Act.

I do not know whether in due course we may hope to have an Income Tax Act so carefully framed that there will be absolutely no necessity for the exercise of discretion by the minister as to the reasonableness of the action of the department in any unusual or exceptional circumstance. This bill contemplates a reduction of the instances in which the minister may exercise his discretion; and I believe it is generally thought by those who are familiar with the subject that a careful review of the Income Tax Act in the future may eliminate such instances altogether. That would be a very desirable situa-