

Hon. Mr. DUPUIS: I have in mind a parent company of one of my clients who is very strongly against the imposition of such taxes. I have received a wire in which the president of the company says in part as follows:

A parent company's subsidiary and affiliated company earnings would be taxed thirty-three per cent instead of each subsidiary company being allowed the seventeen per cent rate on the first ten thousand dollars of earnings the same as permitted all other companies. Might we suggest the new resolution apply only to such subsidiary and affiliated companies as are formed after the date of the introduction of the new resolution.

I wrote to the Minister of Finance, and he replied, acknowledging receipt of my letter and in the second paragraph said these words:

I expect that the question of related companies will be fully discussed in the House when Bill 176 comes up for second reading and I shall be glad to give careful consideration to Mr. Prescott's suggestion that the amendment dealing with related companies should apply only to subsidiary and affiliated companies formed after the date of the introduction of the amending Bill.

In this case the parent company is making artificial leather, and one of the subsidiary companies is making a fertilizer for the use of farmers out of the residue of the product of the parent company. The subsidiary company is of interest to the farmers and businessmen in the surrounding area, who have taken shares in the company. They are not at all interested in the parent company. With this new legislation they would be penalized because the company is a subsidiary. I do not know what was done in the other place, but I think it most unfair that subsidiary companies which are now in existence should be penalized. I would beg leave of this committee to make a suggested amendment, that this legislation become effective for subsidiary companies only after the passing of the bill.

In the last paragraph of Mr. Prescott's letter, he said:

You will recall that during wartime when the question of Excess Profit Taxes arose, tax regulations were put into force preventing parent companies from forming subsidiary companies and thus obtaining tax benefits, but all the wartime measures did not presume to penalize subsidiaries established prior to the introduction of the specific Excess Profit Tax regulation. It was then a recognized fact—when indeed the Government needed and did take every bit of taxation possible—that it was unwise and unfair to penalize previously established subsidiaries. Why then should the present tax resolution reverse the established practice of the past?

The CHAIRMAN: I think the problem, senator, is that the remedy might be probably worse than the disease.

Hon. Mr. DUPUIS: I do not know.

The CHAIRMAN: You would have one tax applicable to companies formed before a certain date, and another rate applicable to companies formed after that date. That is a form of discrimination.

Hon. Mr. DUPUIS: Yes, but we have many precedents of certain tax legislation which applies only after the passing of the Act, and which is not retroactive. Why should this one be retroactive?

The CHAIRMAN: This provision is not retroactive.

Hon. Mr. DUPUIS: It penalizes the already established subsidiary companies.

Hon. Mr. McLEAN: Mr. Chairman, the Minister or the department must be satisfied in this respect. It is easy to get evidence of new subsidiaries set up after this Act to avoid taxation, but if they cannot satisfy the Minister on the