

MINUTES OF EVIDENCE

THE SENATE

OTTAWA, Friday, June 2, 1950.

The Standing Committee on Banking and Commerce, to which was referred Bill 177, An Act to amend the Income Tax Act and The Income War Tax Act, met this day at 11 a.m.

The CLERK of the Committee: Honourable Gentlemen, in the absence of the Chairman is it your pleasure to elect an Acting Chairman?

Hon. Mr. ROBERTSON: I move the Hon. Senator Lambert occupy the Chair.

Hon. Mr. LAMBERT: I prefer to sit here because I want to ask questions.

Hon. Mr. ROBERTSON: I move that the Chair be occupied by Senator Paterson.

Hon. Mr. PATERSON in the Chair.

The CHAIRMAN: We have a quorum present. We will turn to page 9, clause 12.

Hon. Mr. HAIG: We passed 12.

The CHAIRMAN: Clause 13. Doctor, please explain?

Dr. A. K. EATON: A brief explanation is provided here: "This amendment affords relief from hardship when two fiscal periods of a taxpayer end in the same taxation year." What happens when, say, a partnership or a sole proprietor winds up in November and he has a fiscal period that ends at the end of March is, in the absence of this provision, that he would be taxable on twelve months of profits for the fiscal year ended March 31, and then he would have to take into income another chunk of profits from the end of that fiscal period up to the point at which he winds up. The mechanism here is that he may take into income twelve months of profits, establish the rate of tax, and apply that effective rate of tax to the profits for the short fiscal period rather than for, say, twenty months of profits bunched up which, applied on a graduated rate, would bring on a rate of tax on a higher bracket in the schedule. This avoids that by taking the normal twelve months' profits for the purpose of establishing the rate of tax, and applying that rate to the remaining profits.

Hon. Mr. HAIG: Thank you.

The CHAIRMAN: Any questions? Carried.

Dr. EATON: Subsection 2 refers to the abatement which was spoken of the other day, where, upon recapture, a large amount is required to be taken into income for one year. This is the mechanism for spreading over five years the recapture.

The CHAIRMAN: Any questions? Carried.

On section 14: dividends.

Dr. EATON: Section 14 is purely a technical amendment, taking care of cross-references.

Hon. Mr. HAIG: Pass.

On section 15: related corporations, etc.

Dr. EATON: Clause 15 revises the definition of what constitutes control for the purposes of enabling corporations to take advantage of the 10 per cent rate