

United States they have an income tax called the normal tax to be paid by corporations and joint stock companies. They provide—and we have similarly provided—that, while the shareholders of these companies are subject to the super tax, the amount of the normal tax upon dividends shall be deducted from their income. It will be obvious to the committee that it is not possible to impose the super tax upon a company, much as we should like to do so, for this reason: Take a company that is owned by hundreds of shareholders, that has a capital of \$1,000,000 and that earns six per cent; it would have an income of \$60,000. Take another company with \$2,000,000 capital and which earns six per cent; it has an income of \$120,000. Although both derive six per cent, if you applied the super tax, because the income of the \$2,000,000 company is larger than that of the \$1,000,000 company, you would make one set of shareholders pay so much more than another set of shareholders. Accordingly, we get over the difficulty by making joint stock companies and corporations subject to a four per cent tax, called the normal tax, and then we make their shareholders liable to a super tax giving them an allowance equivalent to the normal tax upon the dividend that they derive from such companies.

Mr. LEMIEUX: What about the revenue derived from American companies?

Sir THOMAS WHITE: If my hon. friend is a holder, as I hope he is, of the shares of any corporation either in this country or any other country, he will be liable to pay in respect to the income derived from such companies no matter whence or how it is derived. If my hon. friend has such income, he has to pay provided he is a resident of Canada.

Mr. A. K. MACLEAN: What about foreign corporations?

Sir THOMAS WHITE: Foreign corporations will pay in respect to their earnings upon their business in this country.

Sir HERBERT AMES: What about a dividend that has already been taxed?

Sir THOMAS WHITE: In the case of a resident of Canada?

Sir HERBERT AMES: Yes.

Sir THOMAS WHITE: In the case of a resident of Canada, if he was taxed in respect of his dividends in a foreign country, he would be entitled to deduct the amount of such taxation from his income for the

[Sir Thomas White.]

purpose of ascertaining the amount on which he should be assessed here. So far I have not been able to reach a conclusion, although I am glad to have an open mind on the matter, that he should be allowed to deduct the amount of such tax from the taxation which he would pay upon his entire income.

Mr. A. K. MACLEAN: Do I understand the minister to say that foreign corporations are subject to his income tax only to the extent of the profits gained in this country?

Sir THOMAS WHITE: Yes, I am speaking of a foreign corporation domiciled in a foreign country and carrying on business in Canada, but if a Canadian company carries on business here and throughout the world you assess it on its entire income.

Mr. MACDONALD: How about an alien who lives in another country and who has stock or interests in Canada from which he gets an income?

Sir THOMAS WHITE: We do not tax any but residents of Canada.

Mr. MACDONALD: The United States impose such a tax?

Sir THOMAS WHITE: I believe they do but I am of the opinion that it is rather an unwise tax. I do not see how we can hold an alien liable unless we provide to cut off a portion of his income at his source and that would raise questions as to what his real income was and as to whether it was proper to do that. This Bill will not apply to aliens unless they are living in Canada.

Mr. MACDONALD: What would be the course with regard to a British citizen who lives outside of the boundaries of Canada but who draws an income from Canadian sources?

Sir THOMAS WHITE: That is a very vexed question, a question which has been often raised in England and is before the British Government now; that is to say, the question of double income taxation. My own view is that there should not be double income taxation within the Empire.

Mr. MACDONALD: Take the case of a Britisher who lives in the United States; he is not taxed upon income that he derives from Canadian securities.

Sir THOMAS WHITE: I think he is.

Mr. MACDONALD: I am inclined to think not. I think their taxation is confined to income arising within the country but still there may be some question about