

trying to work out a satisfactory formula for taxing them as non-residents to a limited extent. The formula is being discussed with them, but has not yet been worked out.

Hon. Mr. HAYDEN: This is enabling legislation?

Dr. EATON: Yes, enabling legislation, to abate the full force of the 15 per cent tax on insurance companies, mainly due to the fact that because of their business they are required to hold certain Canadian securities. We are trying to work out a satisfactory formula.

Hon. Mr. HAYDEN: You are working with them.

Dr. EATON: That is correct.

Hon. Mr. NICOL: How do you tax reciprocals?

Mr. GAUSIE: Only on the general reserves, in the same way as we do the mutuals and co-operatives, if part of the income is deemed to be a general reserve. I guess that is putting it rather bluntly.

Hon. Mr. HAYDEN: Yes.

Hon. Mr. NICOL: How do you tax the insurance companies who do a very large business here?

Mr. GAUSIE: You see, sir, they only became taxable in 1947, and I do not think the assessments have been finalized. We have been discussing it with them, and a method of taxation is being worked out, though I cannot give you the definite answer as to how we are taxing them. We have been in conversation with the Department of Insurance for quite a while, and I think we have a method worked out.

Hon. Mr. NICOL: With respect to the local corporations, I think you have worked out a scheme which is satisfactory. I would point out that practically four-fifths of the business is foreign business, that is with either English or American companies, and, as far as I know most of these foreign companies are not paying the taxes which are being paid by the local companies.

Hon. Mr. HAYDEN: The mutual companies only became taxable as of January 1, 1947, following the Royal Commission.

Hon. Mr. NICOL: I am speaking of reciprocals, and particularly the New England companies. Those companies came here, secured licenses from the different provinces, but did not pay the taxes that Canadian companies were paying.

Hon. Mr. HAYDEN: But they were not subject to any tax under the law until 1947.

Hon. Mr. NICOL: We are making the law.

Hon. Mr. HAYDEN: We made the law effective January 1, 1947.

Hon. Mr. NICOL: But we are making the law now.

Hon. Mr. HAYDEN: Not any more.

Hon. Mr. NICOL: I understand that these foreign companies do not pay taxes equivalent to those paid by Canadian companies.

Mr. GAUSIE: They will pay taxes on what is regarded as their income, but as the industrial factory mutuals operate, they get a payment which I understand is in the nature of a deposit and it is only taken out as used. We are now working out the part that will be regarded as their income, and they will be taxed on that.

Hon. Mr. NICOL: But you are not doing it at the present?

Mr. GAUSIE: Yes, since 1947.

Hon. Mr. HAYDEN: Since and including 1947.