

- (a) a corporation is controlled by another corporation or by a trust if more than 50 per cent of its issued share capital (having full voting rights under all circumstances) belong to
- (i) the other corporation or the trust, or
  - (ii) the other corporation or the trust and persons with whom the other corporation or the trust does not deal at arms length, but a corporation or trust shall be deemed not to have acquired control of a corporation if it has not purchased (or otherwise acquired for a consideration) any of the shares in the capital stock of that corporation,
- (b) there shall be included in computing a corporation's or trust's income all gifts received by the corporation or trust other than gifts received subject to a trust or direction that the property given, or property substituted therefor, is to be held by the corporation or trust for the purpose of gaining or producing income therefrom, and
- (c) subsection (4) of section 58 is not applicable in determining a trust's income.

Hon. Mr. KINLEY: Mr. Chairman, the explanatory note says that this amendment is consequential on clause 27, which deals with employees profit sharing plans.

Mr. GAVSIE: Turn to page 13 of the bill.

Hon. Mr. KINLEY: But this section is consequential on that other clause.

Mr. GAVSIE: But what you are reading refers to subsection 2.

Dr. EATON: Sorry, I was dealing with subsection 1. There are three subsections, and all I have said is related to subsection 1, the part in respect of which the amendments are here proposed.

Hon. Mr. HAIG: Pass.

The CHAIRMAN: Carried. Now we are at subsection 2.

Dr. EATON: This is a consequential amendment freeing the trustee of a profit sharing plan from tax. You will remember that the other day we referred to the clause which said that the employee in a profit sharing plan is to be taxable on all amounts allocated to him by the trustee, even though they are not payable to him in the year. This provision frees the trustee from tax on that income, because the employee is being taxed on it; but for this provision there would be double taxation.

Hon. Mr. HAIG: Pass.

The CHAIRMAN: If that is not clear the witness could give an instance to make it clear. Does everyone understand it?

Some Hon. SENATORS: Carried.

Mr. MACNEILL: The amended clause is carried too.

The CHAIRMAN: The amended clause is carried.

Hon. Mr. HAIG: The amendment takes care of that.

Dr. EATON: Incidentally, sir, subsection 3 deals also with the subject matter of subsection 1. It was only subsection 2 that was extraneous to that.

The CHAIRMAN: All in favour of the section as amended?

Some Hon. SENATORS: Carried.

Section 21 was agreed to.

On Section 22—Income of Beneficiary.

Hon. Mr. HAIG: What does it do?

Dr. EATON: The substance of this is to allow the beneficiaries of a trust to secure an allowance in respect of depletion where a trustee holds mining shares.