

Mr. McKENZIE: Will the minister explain how that \$340,000,000 is made up?

Sir HENRY DRAYTON: It represents the excess of subscriptions over and above the amount of the loans that were subscribed. That has been taken care of in the past. It was done last year by making provision in the Act for a new loan. This year there is no legislation enabling loans to be made, and by the present Bill we are merely validating the over-subscriptions that have taken place.

Amendment agreed to and section as amended agreed to.

Bill reported and amendment read a first and second time.

Mr. DEPUTY SPEAKER: Sir Henry Drayton, by unanimous consent moves that Bill No. 211 to confirm certain borrowings under the Demobilization Appropriation Act, 1919, be read a third time.

Motion agreed to.

On the motion of Hon. Mr. Rowell the House returned to the order of Routine Proceedings.

At Six o'clock the House took recess.

After Recess.

The House resumed at Eight o'clock.

INCOME WAR TAX ACT, 1917, AMENDMENT.

On the order for the third reading of Bill No. 158 to amend the Income War Tax Act, 1917, being called:

Sir HENRY DRAYTON (Minister of Finance): Mr. Speaker, before the third reading of this Bill I desire to move some amendments which will necessitate a reference to Committee of the Whole. The amendments are entirely non-contentious. I therefore move that the order be discharged and that the Bill be referred back to Committee of the Whole with instructions to amend.

Motion agreed to and the House went into committee on the Bill, Mr. Boivin in the Chair.

Sir HENRY DRAYTON: The first amendment, Mr. Chairman, is on page 2 of the Bill in subsection 2 (a) of section 7, where a typographical error will be noted—the word “to” after “per cent” should read “of.” I therefore beg to move to amend clause 7 by striking out the word “to” in

[Sir Henry Drayton.]

the thirty-sixth line on page 2 of the Bill and substituting the word “of.”

Amendment agreed to.

Sir HENRY DRAYTON: By an error, which was not noted at the time, subsection 11 of section 10 places the incomes of non-residents in exactly the same position as those of residents, which of course would be a very radical change and something that was never intended. What was desired was to get from the agents of non-residents full particulars of their principals' income for the purpose of seeing that income properly taxable should be taxed. In order to carry out the intention as expressed I beg to move: That subsection 11 of section 10 be amended by striking out all the words after the words “outside of Canada shall” in the 18th line on page 4 of the Bill and substituting therefor the following words, “make a return of such income, and in case of default by such non-resident of the payment of any tax payable shall, on being so notified by the minister, deduct the amount of such tax from either the income or other assets of such non-resident in his hands and pay the same to the minister.” It is a policing provision and does not enlarge the liability of the non-resident.

Amendment agreed to.

Sir HENRY DRAYTON: Then an amendment to section 16 I desire to briefly explain. We have always taxed stock dividends, and in order to remove all doubt that stock dividends were to be taxed and that everybody was to be treated in the same manner, the House has simply declared that dividends shall include stock dividends. Section 3 was therefore enacted this year in these words:

Dividends declared or shareholders' bonuses voted after the 31st day of December, 1919, shall be taxable income of the year in which they are declared or voted.

That was the form in which it was submitted to the House. The words “declared or voted” were struck out in committee and the section made to read “paid or distributed.” It has been pointed out that the section ought not to come into force at the present minute, because if it did earnings which were earned for years past and not distributed would be taxed on the basis of income for the year. For example, a company—and we have this particular matter before us—with a capital of \$200,000, which has been engaged in business for about twenty years, has accumulated shareholders' reserves amounting to \$1,200,000. It