

confess that after several times reading the bill now before the house, there were some provisions which I could not understand without the help of departmental officials, and I regret that we have such a short time to study the measure.

**Hon. Mr. Haig:** You are no worse off than the Minister of Finance.

**Hon. Mr. Campbell:** I do not intend to take up the time of the house by going over the bill section by section, as I feel that it will be necessary to do that in the Banking and Commerce Committee. If honourable senators have no objection I shall take some of the more important amendments dealt with in the bill.

The main purpose of the bill is of a relieving nature. It contains provisions which in effect relieve corporations and individuals from tax liabilities which were considered unfair, and in other cases it puts into effect the reduction in taxes. In the early part of the bill there are certain relieving provisions, such as the granting of a reasonable allowance for travelling expenses to employees engaged in selling property on commission; the granting of reasonable allowances to a minister of the gospel while travelling in the performance of his duty; allowance to clergymen for rents paid for premises occupied by them, and allowances of the value of the premises occupied. There are also allowances made for the exemption of railway agents, transport employees and others.

Section 3 of the bill is of a relieving nature, whereby persons who are resident in Canada and are shareholders of corporations which are controlled in the United States—that is corporations in which 50 per cent or more of the voting shares are held in the United States—are relieved of taxes on certain dividends when winding up and so forth. It relieves them of liabilities on taxes on winding up, redemption of shares, conversion of shares or capitalization of surpluses. Obviously the shareholders have no control of the corporation's actions in the United States.

**Hon. Mr. Nicol:** Is this section to provide for actual cases?

**Hon. Mr. Campbell:** I understand not. It is a general relieving section to meet a situation that has been brought to the attention of the department in many cases where there has been reconstruction of the company's capital in the United States.

**Hon. Mr. Haig:** Especially United States Steel.

**Hon. Mr. Campbell:** I think honourable senators would be satisfied if I illustrated one

or two types of cases. Where a corporation in the United States declares a stock dividend, in other words capitalizes its surplus, there is no tax imposed upon the resident in the United States in receipt of that stock dividend; but under our law a tax is imposed. As such action can be taken freely in the United States, it has meant that the shareholder in Canada has really received no cash whatsoever. He has received shares on the declaration of a stock dividend, and has been required to include the value of the shares in his taxable income.

**Hon. Mr. Euler:** That could take place in Canada as well. If the stock dividend is declared in Canada, it is taxable.

**Hon. Mr. Campbell:** Yes, it is taxable in Canada. If a company in Canada has an earned surplus in Canada and declares a stock dividend and distributes the shares, the shareholder in Canada must include it in his income. This section provides that if he is a holder of shares in a foreign corporation of which 50 per cent or more of the stock is held outside of Canada, and is in receipt of a similar stock dividend, it is not taxable.

**Hon. Mr. Euler:** It is limited to 50 per cent or more.

**Hon. Mr. Campbell:** Yes.

**Hon. Mr. Davies:** Is that not a discrimination against shareholders of Canadian companies?

**Hon. Mr. Campbell:** No, it deals with holders of shares in a foreign corporation.

**Hon. Mr. Hugessen:** Would my honourable friend explain to the house the reason for this amendment, dealing particularly with the case of the United States Steel Corporation?

**Hon. Mr. Campbell:** I do not know that I am entirely familiar with it.

**Hon. Mr. Haig:** I know it, and I will explain it. The corporation had a certain reserve and wanted to strengthen its capital account, and transferred so much money from the reserve account to the capital account. The stock, before anything was done, was worth, say, \$130 a share. After everything had transpired it was still worth that amount, but nobody got any money at all. What has occurred in the past is that the Canadian shareholders have been notified that that kind of thing was going to take place in the United States, and they sold their stock in that country and two days later bought it back again. In this case the United States Steel Corporation did not notify the Canadian shareholders that it was going to do this, and the result was that those people had to pay a tax in this country although the stock was