

The CHAIRMAN: We will bear your remarks in mind, Senator DuTremblay, and we may revert to this matter later, if necessary.

Hon. Mr. BURCHILL: Dr. Eaton, is it not so that even under the new system there is a wide option in the rates that may be used? Companies that have been using depreciation rates based on experience are still able to continue those rates?

Dr. EATON: Yes, sir. The rates published in the regulations are maximum rates, and a company that does not wish to take the maximum rates may proceed on the level basis on which it has proceeded in the past.

Hon. Mr. BURCHILL: But the principle applies in both cases?

Dr. EATON: Yes.

The CHAIRMAN: Does any other member of the committee take the same view as Senator DuTremblay, or shall we carry this subsection?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Subsection (3) is carried.

Now, section 9, which repeals section 23 of the Act, has to do with transfer of rights to income. Have you anything to say as to that, Dr. Eaton?

Dr. EATON: This is a rather technical amendment to a provision blocking loopholes. As stated in the explanatory note, this amendment widens the application of the present provision in section 23 of the Act, the provision designed to prevent tax avoidance through transfer of rights to income between persons not dealing at arms length.

Hon. Mr. HAYDEN: Just in what way does it widen the application?

Dr. EATON: I think, sir, the difference lies in the fact that the present law is related to transfer of rights to income from property, and that that limitation is withdrawn in the new section.

Hon. Mr. HAYDEN: I think the more important change is the omission from the new section of the words "connected with him by blood relationship, marriage or adoption," and the insertion of the words "with whom he was not dealing at arms length".

Hon. Mr. CRERAR: What does "arms length" mean?

Hon. Mr. HAYDEN: It is defined in the Act, but, to speak candidly, I have never liked the definition.

Hon. Mr. BURCHILL: Can you tell us in ordinary laymen's language what "arms length" means?

Hon. Mr. HAYDEN: It is defined in section 127 of the Act.

Dr. EATON: Section 127 (5) reads:

(5) For the purposes of this Act,

(a) a corporation and a person or one of several persons by whom it is directly or indirectly controlled,

(b) corporations controlled directly or indirectly by the same person, or

(c) persons connected by blood relationship, marriage or adoption, shall, without extending the meaning of the expression 'to deal with each other at arms length', be deemed not to deal with each other at arms length. The persons connected by blood relationship, marriage or adoption, shall be deemed not to deal with each other at arm's length.

Hon. Mr. HAYDEN: The difference then is "arms length" includes blood relationship, marriage or adoption?

Dr. EATON: Yes.

Hon. Mr. HAYDEN: But the expression "arms length" is broader than that?