

Mr. DUNNING: Under the amendment the \$4,000 exemption will be apart altogether from the exemption relating to gifts to any one person of \$1,000. If, as I suspect, my hon. friend has many more than four people to whom he feels he should contribute, he will be able to do so to the extent of not more than \$1,000 in each case, and will not be taxed upon it. In addition to that he will have a general exemption of \$4,000 in respect of what might be called general gifts. The object of the gift tax in the first place was very well stated by the right hon. member for Argenteuil (Sir George Perley) when he said it was designed to prevent evasion of the income tax law by those who sought to make large gifts to relatives in order to bring their income tax into a lower bracket. That object is maintained. It has been in operation, I think, only one year, but in practice hardships have been demonstrated in connection with people who, while charitably minded, having a keen sense of their responsibilities towards former employees and distant relatives, are taxed on these charitable contributions. Now this is brought into line in general principle with the income tax law in relation to charitable contributions.

Mr. CAHAN: The tax in that case upon income remains as before?

Mr. DUNNING: Precisely.

Mr. CAHAN: And the additional tax on gifts will not apply in the cases which the finance minister has mentioned?

Mr. DUNNING: Right.

Paragraph agreed to.

5. That the rate of interest on unpaid instalments of tax be reduced from six per centum to five per centum.

Mr. CAHAN: No one can object to that.

Mr. COLDWELL: In connection with this particular paragraph I wish to comment briefly as I did in the course of the budget debate, with regard to people avoiding payment of income tax and therefore having, perhaps, unpaid instalments. Since I made some remarks on this matter in the House of Commons a great deal of information has come to me which I should be glad to pass along. I believe the Minister of Finance would be well advised to look into the whole matter of the incorporation of companies, particularly in Prince Edward Island. I am given to understand that at least one powerful trust company has an office in London and one in Charlottetown, and is engaged more or less in helping people to avoid payment of income tax both in Great Britain and in Canada.

Mr. DUNNING: If my hon. friend will permit me, he is out of order on this item, but paragraph 9 of this resolution relates directly to the matter he is discussing.

Mr. COLDWELL: I shall be glad to discuss it there.

Paragraph agreed to.

6. That the penalty rate of interest in addition to the interest provided for in the foregoing resolution in respect of unpaid overdue tax be reduced from four per centum to three per centum.

Paragraph agreed to.

7. That a tax of five per centum be imposed at the source on payments by Canadian debtors to non-residents in respect of films whether copyrighted or not.

Sir GEORGE PERLEY: The minister might make some explanation of this.

Mr. DUNNING: Yes; I have an amendment in addition. The tax applies to films. It is found, however, that all films used in Canada are not copyrighted, and the purpose of this amendment is to ensure that payments for the use of all films, whether copyrighted or not, shall be subject to the tax. But since the original resolution was tabled the film producing companies have made representations and have demonstrated that a five per cent tax on gross remittances, which is what this particular tax is, is quite inequitable, in that it takes no account of their expense of production, and also would be unduly high. As few of the producing companies are making more than five per cent gross, we would be taking all of the income by the tax. The most important item of cost is the amortization of the cost of the negative and positive prints. The cost allocated to the Canadian business is on the basis of the number of positive prints used in Canadian distribution by comparison with the total number of positive prints used in world distribution. Therefore I propose by way of amendment to provide for a rate of allowance of sixty per cent from gross remittances, which is taken to represent the amortization of the film cost. In effect therefore the tax becomes a two per cent tax on gross remittances instead of five per cent as provided by the terms of the resolution as tabled. I am quite impressed with the representations made, and it was demonstrated to the satisfaction of the officers of the department that the proposal as originally stated would have had the effect of taking the whole gross revenue of these corporations—in some cases, not in all—because of the peculiar nature of their business. At the same time we do think we should have some