

summarize them. I should, however, mention a few of the main features, with the warning that what I say cannot cover all the provisions which will have to be in the law.

Generally speaking, I propose to deal with the surpluses accumulated up to the end of 1949 in much the same way as surpluses up to the end of 1939 were dealt with in accordance with the recommendations of the Ives Commission. This earlier legislation provided for a tax payable by the corporation, graduated, however, according to amounts receivable by individual shareholders. In the legislation now proposed, closely-held corporations may elect to pay a tax on undistributed income on hand at a flat rate of 15 per cent. This change will remove many of the troublesome problems encountered under the earlier legislation.

If the proposed legislation did no more than take care of past surpluses, a new problem with respect to the future would immediately start developing. I think it desirable, therefore, that the present legislation should provide a comprehensive solution to the problem as a whole rather than merely deal in ad hoc fashion with the past.

The Ives Commission made a recommendation in respect of surpluses accruing after 1939 under which a proportion of annual profits might be retained by closely-held companies and be entirely free from personal income tax upon subsequent distribution. We have been giving a great deal of thought to this proposal but we feel that we cannot go quite as far as that recommendation. Under the proposals which we are recommending, a closely-held company may, to the extent that it pays out earnings in dividends, earn the right to capitalize an equivalent amount upon payment of a special tax of fifteen per cent. It appeals to me as sensible to encourage these family corporations to pay reasonable dividends while at the same time making it possible for them to retain profits essential for growth and expansion without imposing on shareholders an almost impossible potential tax burden.

There will be proposed a number of other amendments of a technical character, but I need not burden the house with an attempt to explain them at this stage.

Tariff Proposals

When I presented the budget last October, I said that plans were under way for another set of multilateral trade negotiations under the General Agreement on Tariffs and Trade. The concluding work on these plans is at present nearing completion in Geneva, where the countries participating in the general agreement are holding their fourth session. It has now been decided to hold the third round of tariff negotiations in Torquay, England, beginning September 28 of this year, and it is anticipated that some forty countries will take part. The proposed Torquay negotiations are a further step in the post-war programme of international co-operation to reduce tariffs and remove other barriers which stand in the way of a freer flow of international trade. The original Geneva agreement of 1947 was widened last year at the Annecy conference to include ten additional countries. The main purpose of the Torquay conference will be to increase the value of the general agreement by expanding it to include more countries, to cover a broader range of commodities, and, in addition, to provide further tariff concessions on products previously negotiated. It is intended that at the conclusion of the Torquay conference all the tariff concessions resulting from the new negotiations,