

Hon. Mr. CAMPBELL: Yes; so far as premium tax is concerned every insurance company is treated in the same way.

Hon. Mr. EULER: Marine insurance companies pay no tax whatsoever.

Hon. Mr. CAMPBELL: Marine insurance companies are not liable for tax on their investment income.

Hon. Mr. EULER: Nor on their premiums.

Hon. Mr. CAMPBELL: No.

Hon. Mr. LESAGE: Are the reciprocals from Boston in particular and from the United States generally affected by this amendment?

Hon. Mr. CAMPBELL: No.

Hon. Mr. DAVIES: The honourable senator said that mutual insurance companies are at an advantage under the act?

Hon. Mr. CAMPBELL: That is right.

Hon. Mr. DAVIES: Is it now proposed to place them at a disadvantage?

Hon. Mr. CAMPBELL: No. This bill brings them directly in line with Canadian joint stock companies. That is, all Canadian companies engaged in the fire and casualty field, whether mutual or joint stock, will be taxed on exactly the same basis; but, as the honourable senator from Waterloo (Hon. Mr. Euler) says, there is this difference so far as British and foreign insurance companies are concerned, that although they are taxed on underwriting profits, they are not taxed on investments.

Hon. Mr. DAVIES: I do not want to seem obtuse, but will all Canadian companies be subject to the same taxation, as has been pointed out?

Hon. Mr. CAMPBELL: Yes.

Hon. Mr. GOUIN: This double taxation does not apply to companies which are not insurance companies; that is the complaint.

Hon. Mr. CAMPBELL: My honourable friend is correct. By reason of the Special War Revenue Act there is a levy on premium income. By reason of that insurance companies pay two sets of taxes.

Hon. Mr. EULER: That is double taxation.

Hon. Mr. GOUIN: I submit that premiums are a form of income.

Hon. Mr. EULER: They go to make up the company's gross income.

Hon. Mr. CAMPBELL: But that is a burden of the business, and it is something insurance companies have had to pay for

Hon. Mr. MacLENNAN.

many years. It has nothing whatever to do with the provisions of the Income War Tax Act.

Hon. Mr. GOUIN: There is double taxation—the insurance companies pay a certain amount of tax on premiums, and in addition they pay a certain amount on income.

Hon. Mr. EULER: No matter what law it is under, it is double taxation.

Hon. Mr. CAMPBELL: I cannot argue that the tax imposed by the Special War Revenue Act is not a tax. It is a tax just the same as the excise tax, the sales tax or any other tax. The proposed amendment would permit anyone who pays that special war revenue tax to have it credited against his income tax.

Hon. Mr. BENCH: In much the same way you might suggest that a manufacturer be entitled to deduct from his income tax the amount of sales tax he has paid.

Hon. Mr. EULER: My honourable friend knows perfectly well that the manufacturer passes all that on to his customers.

Hon. Mr. BENCH: But it has not been shown to me that this premium tax is not passed on to policy holders.

Hon. Mr. EULER: No, those people do not make any money on their premiums.

Hon. Mr. CAMPBELL: The special war revenue tax has been in force for some time, and it has now been reduced from three per cent to two per cent.

Hon. Mr. DAVIES: On premiums?

Hon. Mr. CAMPBELL: Yes. But I do not see why that tax should be taken into consideration to lessen income tax any more than that sales tax should be taken off the net profit of a company in arriving at its income tax.

Hon. Mr. BENCH: Is there not an argument in favour of the amendment to this effect: that British and foreign companies doing business here have a competitive advantage in that they do not pay income tax?

Hon. Mr. EULER: Surely.

Hon. Mr. CAMPBELL: I submit they have no competitive advantage. They pay income tax on their underwriting profits, but they are not allowed to deduct certain items which Canadian companies are allowed to deduct—that is, head office expenses, reinsurance, and some other costs of that sort.

Hon. Mr. EULER: They deduct those in their own country.