

Income Tax Act

There are these two amendments which have been made by the Senate. As to the first, Mr. Speaker, may I comment that it is simply a drafting change and I believe alters, in no way at all the sense of the clause in question.

As to the second amendment, may I point out to the house that it has the effect of striking out clause 19 of the bill. Clause 19 amended section 71 of the Income Tax Act, which is the section of the act concerning foreign business corporations. There was some debate in this house on this clause of the bill, but I am sure I do not need to review now the questions that were raised at that time. The effect of the amendment by the Senate has been to strike this clause out of the bill. I regret that it has done so, for I think there was merit in clause 19 of the bill. However, it must be conceded at once that clause 19 was not a provision of leading importance in the bill; it certainly was not a clause particularly directed to affecting the revenues of the treasury.

Mr. Benidickson: Did my hon. friend say "particularly affecting the revenues"?

Mr. Fleming (Eglinton): Yes. It would have had some effect, but probably a very slight effect indeed, upon the revenues. Had it been otherwise the government could not have accepted this amendment by the Senate, having regard to the provisions of the standing orders of this house, particularly Nos. 63 and 64, and the long cherished rights and privileges of this house.

I wish to emphasize, Mr. Speaker, that the government does not concede any right or power on the part of the Senate to amend money bills. Had this been a more serious matter, or had this amendment related to something affecting the revenues, I would have considered it my duty to challenge any infraction of the privileges and rights of this house thereby created.

In a word, Mr. Speaker, the position is the same as that which confronted this house on September 15, 1917 on a Senate amendment to the income war tax act at that time, and again on June 11, 1941 on a Senate amendment to a bill to amend the special war revenue act. I propose to follow the same course that was pursued by my predecessor, Sir Thomas White, with the concurrence of Sir Wilfrid Laurier on the first occasion I have mentioned, and by my predecessor Mr. Ilsley on the second occasion. Having regard to the circumstances I have already mentioned and to the advanced stage of the present session, now in its final week, I move:

That the said amendments be now read the second time and concurred in; but that this house, while disapproving of any infraction of its privileges

[Mr. Fleming (Eglinton).]

or rights by the other house, in this case waives its claims to insist upon such rights and privileges, but the waiver of said rights and privileges is not to be drawn into a precedent.

And that a message be sent to the Senate to acquaint their Honours therewith.

The Acting Speaker (Mr. McGee): Is it the pleasure of the house to adopt the motion?

Mr. W. M. Benidickson (Kenora-Rainy River): The house will recall, Mr. Speaker, that this slight controversy with the other place with respect to the important section amended relates to a matter that we on this side of the house drew to the attention of the Minister of Finance when his resolutions were advanced. I was one of those who on May 4, when the resolutions were before the house, indicated that I was in good company in that I found taxation experts across the country described the proposed amendment as an enigma. They, like myself, from their experience could find no real, concrete example to justify the amendment. Like myself, they thought the law existing at this time had, throughout its history in broad and important lines, been to the advantage of the economy of this country.

At that time I gave some illustrations. We were, of course, aware of the most prominent foreign business corporation, namely Brazilian Traction Company. In the debate it was indicated that we well knew that this company had a fairly substantial number of head office people in the city of Toronto. The company had been organized in Canada. It had respect and regard for Canadian interests as a result of their background. I indicated that I remembered that this corporation, for instance, had been an applicant for export credit insurance with respect to substantial purchases that were made from Canadian manufacturers for use in the foreign country in which the actual operation took place.

Mr. Fleming (Eglinton): Will my hon. friend not agree that that company would not have been affected at all by this measure?

Mr. Benidickson: Oh, quite so. But the point we were trying to make at that time was to obtain from the minister concrete examples of deleterious effects to Canada as a whole that were resulting from the existing law. The minister did give a couple of examples. Again, out of consideration for the house, I am not going to repeat them; I am simply going to give the reference. The minister gave two references after a great deal of pressure from our side. He was prepared to keep them a secret and just indicate that in his opinion and that of the officials, this was a desirable amendment, and that we should simply take his word for it. But at page 3305 of *Hansard* of May 4 the minister did give