

Income War Tax Act

Mr. RHODES: May I point out that the principle of the double tax obtains in our present taxation structure and has obtained for many years. Personally I have no hesitation in saying that there is a very serious objection to that, but it exists in our whole income tax structure. We have a situation where a company has paid its full income tax, yet when that income, which has borne a heavy tax, comes into the hand of the individual shareholder he in turn is called upon to pay an income tax on it. I would hope that in better circumstances and happier times we shall be able to depart from that practice. But right or wrong it is there and has been for many years.

Mr. FRASER (Cariboo): But the objection I am pointing out is that you are now coming back with this taxation and making it retroactive on the shareholder who has already paid the bullion tax.

Resolution agreed to.

8. That depletion allowance to be allowed to mining companies, the principal product of which is gold and silver, shall be 33½ per cent in lieu of the present allowance.

Mr. RALSTON: Will the minister permit me to say a word more, so that he may have this representation for consideration. when

the bill comes to be taken up? As I understand it, the situation is this, that by reason of the fact that the depletion allowance is reduced from fifty per cent to thirty-three and a third per cent and the corporation tax increased, there is a net increase of forty-four per cent in taxation. In addition, while that increase in taxation goes back to the 1934 period, the bullion tax is still on for the first five months of 1935, therefore there is not only a forty-four per cent increase in the corporation income tax, but there is also the bullion tax being paid at the same time.

Mr. RHODES: I shall be very glad to inquire into that angle of the proposals at the same time.

Resolution agreed to.

9. That a tax of five per centum be imposed at the source on all royalties payable by Canadian debtors in respect of books, music and articles in magazines, to non-residents of Canada. The 12½ per cent deduction to be abolished in respect of the foregoing.

Resolution agreed to.

10. That a tax be imposed upon gifts inter vivos at the following rates, unless the income from such gift continues to be taxed against the donor, as provided for in the act;

Up to and including.. . . .	\$ 25,000				— 2%
Exceeding.. . . .	25,000	but not exceeding \$	50,000		— 3%
Exceeding.. . . .	50,000	but not exceeding	100,000		— 4%
Exceeding.. . . .	100,000	but not exceeding	200,000		— 5%
Exceeding.. . . .	200,000	but not exceeding	300,000		— 6%
Exceeding.. . . .	300,000	but not exceeding	400,000		— 7%
Exceeding.. . . .	400,000	but not exceeding	500,000		— 8%
Exceeding.. . . .	500,000	but not exceeding	1,000,000		— 9%
Exceeding.. . . .	1,000,000				—10%

Provided that the rate be not applicable to gifts in the aggregate of \$1,000 or less in any one year.

Resolution agreed to.

11. That amounts charged by any company or organization outside of Canada to Canadian companies in respect of management fees, services, use of patents, processes or formulae used in Canada, shall not be allowed as a deduction if the non-resident controls the Canadian company through the holding of shares, by affiliation with other companies, by agreement, or in any other manner.

Resolution agreed to.

12. That in respect of any taxpayer claiming reciprocal relief for taxes paid in Great Britain or any foreign country, such taxpayer shall not be allowed as against profits taxable in Canada the losses sustained in any such country.

Resolution agreed to.

13. That the amount received from income bonds or debentures shall be deemed to be a dividend for the purposes of the act and [Mr. J. A. Fraser.]

shall not be a deduction before determining the taxable income of the corporation paying any amount in respect of such income bonds or debentures.

Mr. RALSTON: I was in touch with the officials of the department, and I think there is under consideration some amendment in order to provide for income bonds issued as a result of reorganization.

Mr. RHODES: Yes, in the bill itself as already drafted there is an amendment which will take care of the situation. It will be apparent when I introduce the bill, and I assure my hon. friend it will be dealt with at that time.

Resolution agreed to.

14. That any enactment founded on the foregoing resolutions shall be deemed to have come