

the minister's view as to whether the first company that did not charge anything for the work of organization will be allowed, in paying this tax, to be on the same footing as the other company, which allowed twenty-five per cent for organization.

Sir THOMAS WHITE: I think section 9 meets the point.

Any incorporated company may—

By the way, I am going to ask the committee to change that "may" to "shall."

—include as part of its capital its actual unimpaired reserve, rest or accumulated profits.

Let us consider for a moment the question of the second company, to which my hon. friend drew our attention. Here is a company whose stock was subscribed at \$125 and paid up to the extent of a premium of 25. If none of that money had been expended in the capitalizing of the company the position of the company would be this: It would have the capital representing the par amount paid in on its stock, it would have a reserve of \$25 upon each share of its stock, and, therefore, on the supposition I have made, its capital would be \$125 per share for the purposes of this Act. But my hon. friend says that the company dissipated \$25 per share in getting the stock subscribed.

Mr. TURRIFF: Approximately \$25.

Sir THOMAS WHITE: Well, its capital for the purposes of this Act would be \$100 a share; in other words, it would be on the same basis as the other company.

Mr. TURRIFF: They would not be allowed their capital at the price at which the stock was sold?

Sir THOMAS WHITE: Not if they had spent it.

Mr. A. K. MACLEAN: I would like to put a case to the minister. I think it was up at the last meeting of the committee. Take the case of a partnership, with a total capital investment of \$100,000, half of which is represented by buildings and plant. The other half is not paid-up capital, but is borrowed capital, and it is the capital with which the business is carried on. The borrowed capital is of course a partnership liability, but inasmuch as it is the capital, or the money, with which the business is conducted, it is claimed by many who are liable to taxation under this Bill, that the borrowed money should be construed as capital, and in the case of a partnership

it should be exempt to the extent of ten per cent. Construed merely as a liability, I suppose they could ask for an exemption to the extent of ten per cent just the same as if it were capital; so that up to that point it would not matter very much whether it was construed as capital or a liability. But in the case which I have mentioned, and in the case of a partnership, would it not be fair to allow them an exemption up to the extent of ten per cent? You will remember they are allowed up to the extent of ten per cent on the actual cash investment in building and plant and only up to the extent of seven per cent on the capital which perhaps has gone into the stock and which keeps the business going. They are only allowed an exemption of seven per cent in that case. It would seem to me a disparity, and in that case they should be allowed an exemption up to ten per cent and that the liability should be construed as capital. I would like to hear the minister's view upon that.

Sir THOMAS WHITE: As I understand my hon. friend, he has in mind the case of a partnership that has its business premises and its stock in trade and that owes its individual partners a certain sum of money representing its working capital. Is that the case?

Mr. MACLEAN: Well, that is just the same as the other.

Sir THOMAS WHITE: My hon. friend does not mean the case of a partnership which owes a bank a certain amount of money?

Mr. A. K. MACLEAN: I do not see any distinction between owing to a bank and owing to partners.

Sir THOMAS WHITE: I do not either. Money owed is money owed. Whether a firm owes the money to a bank or to an individual partner, there is no doubt it is a liability. Let us take first the case where the money is owed to the bank. That presents no difficulties in my mind, because the partnership accounts will show a certain amount in office premises, a certain amount in stock-in-trade, and a certain amount in accounts payable to the firm. Those would be among the assets of the business. On the other hand, there would be the indebtedness to the bank. Now, among the charges which would be deducted from those profits in order to ascertain the