

Hon. Mr. WILLOUGHBY: Yes—assuming that we are to have a Bill of this kind at all.

The motion was agreed to, and the Bill was read the second time.

At six o'clock the Senate took recess.

The Senate resumed at 8.30 o'clock.

INCOME WAR TAX BILL
CONSIDERED IN COMMITTEE

On motion of Hon. Mr. Dandurand, the Senate went into Committee on Bill 310, an Act to amend the Income War Tax Act.

Hon. Mr. Beland in the Chair.

Hon. Mr. DANDURAND: I ask for permission to have Mr. Elliott sit beside me.

Hon. Mr. FORKE: I have not seen a copy of this Bill yet

Hon. Mr. GORDON: We do not appear to have a copy of the Bill. Apparently it has not been distributed.

Hon. Mr. WILLOUGHBY: There has apparently been no distribution to honourable gentlemen on this side.

Sections 1, 2 and 3, were agreed to.

On section 4—surplus distribution taxable:

Hon. Mr. GORDON (reading):

4. Section nineteen of the said Act is repealed and the following is substituted therefor:—

“19. (1) On the winding-up, discontinuance or reorganization of the business of any incorporated company, the distribution in any form of the property of the company shall be deemed to be the payment of a dividend to the extent that the company has on hand undistributed income earned in the taxation period 1930 and subsequent periods.

Just what does that mean?

Hon. Mr. DANDURAND: That is, the income accumulated in 1930 and hereafter.

Section 4 was agreed to.

On section 5—family corporations:

Hon. Mr. BARNARD: Explain.

Hon. Mr. DANDURAND (reading):

Section 5 (1), “Family Corporations,” was designed to give relief to shareholders resident in Canada employed in the corporation. The relief was from the company tax and to place the shareholders in the position of partners, in which capacity they actually worked. Partnerships, as such, were not taxable and so the Family Corporation, as such, was made exempt from tax.

Non-resident shareholders with only one or more of the family employed with the company in Canada are endeavouring to take advantage

of the relief afforded Family Corporations, so that, the Family Corporation being exempt on election of shareholders, the shareholders would also be exempt as non-residents and the Crown would get no tax whatsoever. It is therefore to preclude the non-resident shareholders from taking a technical advantage in respect of a Family Corporation and paying no tax, either as a company or a shareholder, that the amendment is made.

Section 5 was agreed to.

Section 6 was agreed to.

On section 7—when Act comes into force:

Hon. Mr. BARNARD: What is the idea of making the Act retroactive?

Hon. Mr. DANDURAND: It is to cover the assessment for last year, which is now before the Department.

Hon. Mr. WILLOUGHBY: But why make it retroactive? That is the question.

Hon. Mr. DANDURAND: The Income Tax amendment cannot well be brought into force at the time of the passing of the amendment. Inasmuch as the law applies to taxation periods, the amending legislation is brought into effect at the commencement of the designated taxation periods. The returns for the 1929 taxation period were to be filed on or before April 30, 1930. The sections, with one exception, apply to these returns. The exception is in respect of section 4, which applies to income for 1930, returns for which are not filed until 1931.

Hon. Mr. BARNARD: That is hardly a reason.

Hon. Mr. DANDURAND: These amendments are to be applied to the 1929 income returns in order that the taxpayer may enjoy the benefits accruing to him.

Hon. Mr. WILLOUGHBY: He would get a refund?

Hon. Mr. DANDURAND: Yes.

Hon. Mr. BELCOURT: The returns for 1929 are due by the 30th of April, and part of the tax is payable then, or it may be paid in full. There will be cases in which a refund will have to be made.

Hon. Mr. BARNARD: I take it also that under the Bill there will be cases where the opposite is true. There are certain provisions in the Bill which impose taxation on people heretofore not taxed.

Hon. Mr. DANDURAND: The only burdens mentioned in the Bill are made applicable to the returns for 1930, which will be made in 1931.