

Dr. EATON: The main income of an insurance company would be premium income rather than interest income.

Subsection (5) was agreed to.

The CHAIRMAN: Subsection (6) (4), exemptions.

Dr. EATON: This is a provision whereby trust income may go out of Canada tax free. The general law is that payments by a trustee or an estate to a non-resident person are taxable 15 per cent. There is one exemption at present, namely, the income of or from a trust if it may reasonably be regarded as having been derived from dividends or interest received by the trustee from a non-resident owned investment corporation. We add to that provision the same right in respect of copyright royalties that may flow through the trustee and be received by the non-resident free of tax.

Hon. Mr. LAMBERT: What is the opinion of the Foreign Exchange Control Board on that?

Dr. EATON: It has no objection.

Hon. Mr. McDONALD: Mr. Chairman, will you excuse a personal reference for the purpose of a question? I am a trustee, and when I get the quarterly dividend cheque I have to take it to the bank and have the 15 per cent deducted and have the bank send their cheque on. Could not the head office of the bank make the deduction and save me that trouble?

Hon. Mr. HAYDEN: In this case there is no tax.

The CHAIRMAN: Is that from a non-resident corporation?

Hon. Mr. McDONALD: It is from the Royal Bank, going to a non-resident.

Mr. GAUSIE: The money is passed on to you, senator, as the Canadian resident trustee, and if you remit any of the funds outside you are obliged to make the withholding.

Subsection (6) (4), was agreed to.

The CHAIRMAN: Subsection (6) (5), trust beneficiaries residing outside of Canada.

Dr. EATON: This is a beneficial amendment and it has a very narrow application. The provision is that where the source of income of the trustee is, for example, entirely in the United States, and if the payment is to a resident of that country which is the source of the income, there will be no 15 per cent tax on the payment by the trustee to the non-resident beneficiary, if the trust was set up before a certain date.

Hon. Mr. HAYDEN: You mean if the trust funds are received from securities outside of Canada and the beneficiary is outside of Canada—

Dr. EATON: In the same country.

Hon. Mr. HAYDEN: Then the trustee in Canada can bring them in and complete the circle without withholding any tax?

Dr. EATON: Yes.

Hon. Mr. HORNER: Do you mean that a person outside of Canada has a preferred position to one in Canada?

Hon. Mr. HAYDEN: No. This applies where the securities and earnings and beneficiaries are outside of Canada but the trustee administering them is in Canada.

The CHAIRMAN: And the income would probably be taxable in the United States.

Subsection (6) (5) was agreed to.

Subsection 7, application of section was agreed to.