The CHAIRMAN: Shall subsection (1) of section 24 carry?

Hon. Mr. HAYDEN: Is this after assessment?

Mr. GAVSIE: It is the same rate before and after now.

Hon. Mr. PATERSON: Is there any section there to reimburse the taxpayer for overpayment?

Mr. GAVSIE: There is a section in the Act.

Hon. Mr. NICOL: A company in which I am interested overpaid $5,000. The department held it for three or four years and then refunded the money without a cent of interest.

Subsection 1 was agreed to.

Subsections (2), (3), (4), and (5) were agreed to.

The CHAIRMAN: Subsection 6 provides a penalty for payment in arrears.

Mr. GAVSIE: This is a relieving section. It is going to be simpler from an administrative point of view and will help both the taxpayer and ourselves.

The subsection was agreed to.

On section 25—delay in making returns.

Mr. GAVSIE: Heretofore there was a minimum penalty of $5. We are now suggesting that it be 5 per cent of the tax, so that instead of a taxpayer having to pay a tax of $1 plus a $5 penalty, he will have to pay in all $1.05. It was obviously ridiculous where the tax was only $2 or $3 and the minimum penalty for late filing was $5.

The section was agreed to.

On section 26—municipal or provincial corporations.

Dr. EATON: In the past a corporation that was 90 per cent owned by a municipality or province was exempt from income tax, but there was no provision with respect to a wholly owned subsidiary of such a corporation.

Hon. Mr. McLEAN: Is there any provision with respect to a subsidiary that is wholly owned in England, for instance? What is the withholding tax on dividends from Canada?

Dr. EATON: Parent subsidiary U.K., no tax parent U.K., subsidiary Canada, wholly owned, no tax, by convention.

Hon. Mr. HAYDEN: Parent Canada, subsidiary U.S., 5 per cent?

Dr. EATON: Yes.

The section was agreed to.

Section 27 was agreed to.

On section 28—rights or things transferred to beneficiaries.

Hon. Mr. CAMPBELL: That provides that the income may be divided between the deceased and the estate in any taxation year, does it?

The CHAIRMAN: The explanatory note says:

"Section 59 of the act deals with the income of deceased persons during the year in which they die. Subsection (3) is new and provides that certain income items may be taxed in the hands of the beneficiary in certain cases. Subsection (4) is new and makes special provision for the case where the deceased was not resident in Canada in all of the four years preceding his death, as for example in the case of a resident of Newfoundland".

Dr. EATON: Subsection 1 provides that rights or things that would be income are, if transferred to the beneficiary, taxable income in the hands of the beneficiary when he receives the amount. That is a relieving section from the law at present. Subsection (4) provides for the carrying out of an option. The estate of the deceased taxpayer has certain options with respect to the taxation on those rights or things that are income. This makes provision for cases where