

Hon. Mr. CAMPBELL: Assuming that the time will come when the dividend credit will be 70 per cent, would that not result in the shareholder making a greater demand for distribution by the company so as to get benefit for that credit?

Mr. SHEILS: They would be making more money because of the increased exemption. Why should they be asking us to give them more too?

Hon. Mr. CAMPBELL: I think you will find that if they could get dividends tax free, there would be a greater demand from the shareholders for more distribution.

Hon. Mr. HAIG: But they would pay their own taxes on that. For instance, I have some dividends from the Hudson Bay Mining and Smelting Company. Last year practically half of the profits of that company went to the government. Then the company distributed to me my share of the dividends, and I paid the federal government my tax on it.

Hon. Mr. CAMPBELL: But you are suggesting that the credit be increased from 20 per cent to 100 per cent, so that you will not have to pay taxes on dividends.

Hon. Mr. HAIG: The company will pay it.

Hon. Mr. CAMPBELL: Mr. Chairman, we seem to be at cross purposes. The benefits under the present act are that a shareholder may take 20 per cent credit off his total dividends, against taxation.

Hon. Mr. HAIG: Correct.

Hon. Mr. CAMPBELL: If we increase that percentage to 40 or 50 per cent, as will likely be done in the future years, it may have the effect of giving the shareholder his dividend tax-free. Whatever percentage is allowed by way of credit is taken off the tax, and is a direct benefit to the shareholders.

Hon. Mr. HAIG: But suppose I invest \$100,000 in mortgages at 6 per cent. I get my interest income of \$6,000, and I show that in my income tax return and pay tax on it. Whereas, if I had invested that same \$100,000 in, say, Mr. Sheils' company and it earned \$6,000, the dominion government would first take \$3,000 of that \$6,000 by way of corporation tax. I would get my \$3,000, and pay my personal income tax on it. Half of the \$6,000 has been paid out by way of 47 per cent corporation tax; then the balance is taxable in my hands. The 20 per cent credit allowed against the balance of \$3,000 which I receive would give a benefit of \$600, leaving \$2,400 still to be taxed as personal income. So I may end up with something like \$1,500. Whereas, as I have said, had I put the \$100,000 into mortgages, it would have been taxed only once.

Hon. Mr. CAMPBELL: You are after the elimination of double taxation?

Hon. Mr. HAIG: I am arguing for the elimination of double taxation.

Hon. Mr. TURGEON: Is it not possible that if the government made dividends totally exempt from taxation, that as it required money it would have to increase the taxes against the corporation itself? It might happen that what the shareholder would gain on tax-exempt dividends he would lose by reason of reduced dividends the company could afford to pay.

Hon. Mr. EULER: It would not necessarily follow that the government would increase the tax on corporations.

Hon. Mr. TURGEON: They would have to raise it somewhere.

Hon. Mr. McDONALD: They might raise it on personal income, as Senator Crerar said.

Hon. Mr. CRERAR: That was not my suggestion. Senator Haig suggested that.