

provincial law, a mine pays a royalty to the municipality—I have forgotten how it works—and the municipality can tax certain surplus works. There is a definite part of its tax to the municipality on certain of its surplus works, but nothing on production. The working out of that arrangement is causing serious financial embarrassment to many northern municipalities. I would refer particularly to the township of Teck which has an extremely serious municipal problem. I wish the minister would clarify this section 5, because it seems to me that a decision under section 4 might exempt a corporation and then a tax could be reimposed under section 5.

Mr. ABBOTT: Section 5 is really the repealing and reenacting of paragraph (o) of subsection 1 of section 6. In an extreme case, a province or a municipality could impose a tax which would take fifty, sixty, or seventy per cent of the corporation's income. If that were deducted as an expense, then the dominion would be left with only thirty per cent of the total revenue on which it could impose a tax.

Mr. ADAMSON: You are cutting the province's throat there.

Mr. ABBOTT: That may be.

Section agreed to.

On section 6—I.T. paid to a country other than Canada by subsidiary non-resident company.

Mr. ABBOTT: There is a drafting amendment to section 6 which I will ask one of my colleagues to move. It is:

That subsection 2 of clause 6 of Bill 269 be amended by inserting before the word "company" in the second line of subsection 2 C the word "non-resident" and by adding a new subsection 2 E as follows:

"2 E. A company entitled to make deductions from its taxes as provided in subsection 2 B of this section shall not be entitled to make a deduction from its taxes under subsection 2 A of this section."

Mr. MACKENZIE: I move accordingly.

Amendment agreed to.

Mr. MACDONNELL (Muskoka-Ontario): This section goes beyond the terms of the budget resolution to some extent, does it not?

Mr. ABBOTT: I do not know that it does. It certainly does not go beyond what the budget resolution intended. The budget resolution was drafted in rather general terms, but it goes down through the subsidiary of a subsidiary as my hon. friend will see by looking at clause 2 C.

Section as amended agreed to.

Sections 7 and 8 agreed to.

On section 9—When amount of income is \$2,000 or less.

Mr. ABBOTT: I have a drafting amendment here which I will ask my colleague to move. It reads:

That clause 9 of Bill 269 be amended by deleting "section thirty-three" in line thirty on page seven and substituting "section thirty-five" and by deleting "time when it made" in lines forty and forty-one on page seven and substituting "day on or before which it is required to make" and by deleting "when it made" in line three on page eight and substituting "on or before which it is required to make" and by deleting "at that time" in lines five and six on page eight and substituting "forthwith after receiving the notice of assessment."

Mr. MACKENZIE: I move accordingly.

Amendment agreed to.

Mr. ADAMSON: I should like to have some clarification of section 7. I know we have passed it, but I ask the minister's indulgence. This refers to foreign-owned corporations. The explanatory note says that it is a corporation owned entirely outside Canada. I should like the minister to explain this, because it seems a little involved. I am thinking of corporations such as the International Petroleum Company, which is a Canadian corporation holding considerable foreign securities.

Mr. ABBOTT: This is the section which imposes a tax of five per cent on non-resident corporations in respect of dividends received after April 30, 1947. The United States revenue act has a corresponding provision imposing a tax of five per cent on Canadian parent companies with respect to dividends received from United States subsidiaries. We are imposing a similar tax on United States parents with respect to dividends received from Canadian subsidiaries paid after April 30, 1947. This is a taxing section.

Mr. ADAMSON: A Canadian corporation having a wholly owned subsidiary in any foreign country is liable to this five per cent tax?

Mr. ABBOTT: No; it is just the reverse. The Canadian company may be liable to a five per cent tax imposed in a foreign country, and in point of fact I understand the United States does impose such a tax on Canadian parents with respect to dividends received from United States subsidiaries. Of course the Canadian company may take credit here for that tax. We are imposing the same tax on United States parent companies with respect to their Canadian subsidiaries.