

commission's report has been carried out, no attention whatever has been paid to a number of other recommendations.

Hon. G. P. CAMPBELL: Honourable senators, having spoken on this question in committee, I perhaps should be consistent and put my point of view before the members of this chamber. I think the first thing we should realize in regard to this proposed amendment is that its effect would be to relieve from taxation certain corporations which under the law as it now stands are liable for the payment of a substantial tax into the treasury of this country. Another point that we should bear in mind is that the bill is in effect a bill based on budget resolutions, and whatever amendments are made to relieve corporations or individuals or business in general from taxation must necessarily have an effect upon the budget.

The amendment before us now is a rather involved one, which I feel should not be considered hastily at a time such as this: it is one that should be given careful study by the Senate in collaboration with the Department of Finance and others whose responsibility it is to find revenues to carry on the affairs of this country. Perhaps it might help honourable senators to reach a decision on the matter if I tried to picture the various types of fire and casualty insurance companies in this country which would be affected by the proposed amendment. First of all we have a class of companies known as Canadian joint stock companies. These companies have shareholders and are engaged in the insurance business for the purpose of making gain or profit. There are also British and foreign insurance companies, with head offices abroad, which are duly licensed to carry on fire and casualty insurance business in this country. Then there is another class, mutual insurance companies. These have no shareholders and are engaged in the general business of insuring and of making profit for the benefit of their policyholders.

I agree with everything that has been said by the honourable senator from Waterloo (Hon. Mr. Euler) with regard to the uniformity of taxation, but I submit that we should keep our minds on what is before us, namely, the proposed amendment to the Income War Tax Act, and not allow ourselves to be thinking of what other taxes may be levied on insurance corporations. The premium tax to which the honourable senator refers is a tax levied, under the provisions of the Special War Revenue Act, uniformly upon all these insurance companies doing business in Canada. In other words, the mutual companies, the Canadian joint stock companies and the British and foreign companies, all pay that

premium tax. All the companies regard it as a cost of doing business. Whether or not the tax should be levied at all is something that I do not propose to argue at this time, but it can be compared in many ways to other taxes, such as the sales tax levied under the special War Revenue Act upon companies in other lines of business.

Hon. Mr. EULER: And passed on to the consumer.

Hon. Mr. CAMPBELL: There is no doubt that the insurance companies absorb this premium tax as part of their cost of doing business. It is deductible as a business expense, just as are other business expenses, such as office rent, wages, commissions and so on.

The present bill has nothing to do with the Special War Revenue Act. It is a bill to amend the Income War Tax Act, and the change it proposes with respect to mutual insurance companies is that their underwriting profits be made subject to income tax. As the law now stands, the mutual companies are the only insurance companies in Canada whose underwriting profits are exempt from taxation. So in the past these companies have had an advantage over the Canadian joint stock companies.

If the bill is adopted as it passed the other house, all Canadian insurance companies will become liable for income tax on the same basis, and there will be no discrimination.

Hon. Mr. EULER: Surely that is not correct.

Hon. Mr. CAMPBELL: I still maintain my statement is correct, that so far as Canadian insurance companies, mutual or joint stock, engaged in the casualty and fire insurance field are concerned, if this bill goes through without the proposed amendment there will be an equal tax imposed on all. As to British and foreign insurance companies, they have an advantage to some extent by being relieved of income tax with respect to income from investments; but, as was explained, head office expenses and certain other costs of operation are not deductible. There is a comparable situation in regard to foreign investment holding companies.

Hon. Mr. BALLANTYNE: The local company is liable.

Hon. Mr. CAMPBELL: Foreign insurance companies having investments in Canada, which they have to set aside with the Superintendent of Insurance, are not liable for income tax on the income received from those investments.

Hon. Mr. MacLENNAN: But they do pay tax on Canadian premiums?