

stock; it is only the supertax and the surtax that he pays.

Hon. Mr. BARNARD: Last year it was considered equitable that, if the normal tax were borne by the company, the shareholder would pay the supertax; but now the normal tax has been raised to six per cent, so that the shareholder has practically got it at both ends.

Hon. Sir JAMES LOUGHEED: No.

Hon. Mr. BARNARD: The normal tax last year was four per cent, and the shareholder paid two per cent additional supertax. This year the normal tax, only in respect to companies, not in respect to individuals, has been raised from four to six per cent. That is the information I received.

Hon. Sir JAMES LOUGHEED: My honourable friend is wrong in that. The normal tax remains at four per cent, subject to the provision that corporations and joint-stock companies, under subsection 2 of section 3, "shall pay six per centum upon income exceeding three thousand dollars, but shall not be liable to pay the supertax or surtax."

Hon. Mr. BARNARD: Yes, but individual investors, those who hold the mortgages, generally pay the normal tax of six per cent.

Hon. Sir JAMES LOUGHEED: They pay the six per cent, and then they pay the surtax.

Hon. Mr. BARNARD: Yes. From the shareholder's income is first deducted the company's tax, six per cent; then he pays individually a supertax of two per cent, in addition.

Hon. Sir JAMES LOUGHEED: We had better wait until we get there; then we will discuss that.

Section 1 was agreed to.

On section 2—paragraph relating to payment at source:

Hon. Mr. BOSTOCK: What is the effect of subsection 2?

Hon. Sir JAMES LOUGHEED: The section of last year's Act says:

For the purposes of the normal tax the income embraced in a personal return shall be credited with the amount received as dividends upon the stock, or from the net earnings of any company.

We are striking out the words, "or from the net earnings." Its application relates to subsection 2 of section 4 of the Act of last session, which reads as follows:

Hon. Sir JAMES LOUGHEED.

Corporations and joint-stock companies, no matter how created or organized, shall pay the normal tax upon income exceeding three thousand dollars, but shall not be liable to pay the supertax.

So that it defines what a corporation shall pay, and to speak of "or from the net earnings" is simply a contradiction of language. A company pays by way of dividend, not from earnings.

Hon. Mr. BEIQUE: I thought the leader of the Government would explain the use of the words "under sixteen years of age" in paragraph b of subsection 2, as it does not seem to harmonise with the definition in paragraph i of subsection 2 of section 1, where a dependent child is defined as a child under twenty-one years of age. Then, when you deal with a dependent child under section 2 you limit it to a child under the age of sixteen.

Hon. Sir JAMES LOUGHEED: My honourable friend will observe that under paragraph i of section 1, a dependent child is one dependent on its parents for support. The age of twenty-one is fixed for that dependent, but paragraph c of section 2 refers to a child under sixteen years of age who is dependent on the taxpayer for support—not his own child.

Hon. Mr. BEIQUE: My child will be dependent on me as a taxpayer.

Hon. Sir JAMES LOUGHEED: Then he would get an exemption in paragraph a of section 3. These sections are but definitions, and they have to be read in connection with the text of the Bill and the Act, when it will be observable what the application is.

Section 2 was agreed to.

On section 3, subsection 4—income tax:

Hon. Mr. BOSTOCK: My honourable friend yesterday referred to the fact that at the present time the income tax in Canada exceeds the income tax in the United States. As it is somewhat difficult to understand exactly how this income tax is applied, and as I could not make it out from reading the statement made in another place by the Minister of Finance, I took an opportunity of speaking to the gentleman who is prompting my honourable friend at the present moment. If I understand it aright, at present a married person with an income of \$2,000 pays no tax. A married person with an income of \$3,000 pays a tax of 2 per cent on the excess over \$2,000, which amounts to \$20.

Hon. Sir JAMES LOUGHEED: Yes, \$20.