

shares of the capital stock of the corporations from which they were received and of all dividends he is, by sections 8, 9 and 73 deemed to have received in the year.

Hon. Mr. Hayden: The definition of a taxable corporation is given at the bottom of the same page.

Hon. Mr. Campbell: Section 18 of the bill repeals sections 36 and 37 of the present Act, and provides for a decrease in the tax of small corporations by which the tax rate is 10 per cent on the first \$10,000 of earnings of every corporation. It is proposed for the purpose of helping small corporations.

There is another provision of the bill in respect to which I should like to make an explanation. It is section 47, which is on page 36. Some objection has been taken to the wording of this section. It reads as follows:

No taxpayer shall be deemed ever to have been entitled by virtue of subsections one and two A of section eight of the Income War Tax Act and section nine of The Excess Profits Tax Act, 1940, to deduct from the taxes otherwise payable under either or both of those Acts for a taxation year an amount or amounts exceeding, in the aggregate, that proportion of the tax or taxes so otherwise payable for the year . . .

This section, as honourable senators will see, is of a retroactive character. It is to prevent corporations getting tax credit beyond the amount of taxes they would pay in Canada on dividends brought in from the United States subsidiaries by reason of having a higher tax in the United States to set off the Canadian tax payable in Canada. This section has been amended so as now to include only what are called "foreign companies". These are companies which always had the privilege of bringing over their dividends tax free. They are the only companies affected by this provision. It is felt that they should not be given this extra benefit which, in effect, would have amounted to a reduction of the taxes paid in Canada, by reason of having brought over these tax-exempt dividends. The section as drafted will appear before the committee in its amended form.

I do not think there are any other novel features dealt with by the proposed bill. As the time is getting late, unless there are some questions, I would suggest that the honourable members give the bill a second reading and refer it to the Committee on Banking and Commerce. The most important phase of the whole bill is that dealing with the question of depreciation. There are many sections which are proposed to give effect to the reduced rates, and for the purpose of tidying up the legislation as it was last year, and making it more workable and more understandable.

Hon. Mr. Haig: What about personal corporations?

Hon. Mr. Campbell: Personal corporations are dealt with in the same manner here as they were heretofore, except that there is a provision whereby they also get the benefit of that 10 per cent tax credit on dividends from Canadian corporations. In other words, if a personal corporation is in existence, it shall be deemed to have distributed its dividends each year, and as no taxes are payable by personal corporations, the shareholder who receives that money and pays the tax, will be entitled to that 10 per cent reduction in respect of dividends received by the personal corporation from other taxable Canadian companies.

Hon. Mr. Haig: Does the same law apply that presently applies? For instance, if I am a shareholder in a private corporation and my share of the profits for the year are, say, \$1,000, that becomes part of my income and I do not pay any tax on the private corporation at all?

Hon. Mr. Campbell: That is right.

Hon. Mr. Nicol: May I ask the acting leader opposite (Hon. Mr. Hugessen) if the Banking and Commerce Committee will sit this evening to discuss this bill?

Hon. Mr. Hugessen: I do not think so, because it is rather late to contact the appropriate officials. I may say for the information of honourable senators that we have four or five bills on our Order Paper, and I was going to suggest to the house that we sit this evening to dispose of these bills.

All the honourable members who have charge of the bills are present and will be ready to make their explanations tonight. It should be possible to clear the order paper this evening, and I would suggest that the Banking and Commerce Committee meet tomorrow morning and consider the Income Tax Bill and other measures.

Hon. John T. Haig: Honourable senators, I regret exceedingly that it is necessary to do what the honourable gentleman suggests, for I shall not be able to attend the committee meeting tomorrow morning. In the circumstances I suggest that we arrange to have the official reporters present at the committee meeting to make a verbatim report of the evidence, and that the report be distributed to all members. Knowing that I had to leave Ottawa tonight I tried desperately to have the Income Tax Bill brought on yesterday and dealt with in committee before I went away. I should have liked to ask departmental officers a number of questions, especially