

Some Hon. SENATORS: Carried.

Section 16, subsections 1 and 2 were agreed to.

Section 17 was agreed to.

On section 18—rates.

The CHAIRMAN: This section deals with corporation taxes. It provides for a 10 per cent tax on the first \$10,000, and 33 per cent thereafter.

Hon. Mr. McLEAN: I should like to find out more about these related companies. I think it is very unfair that we are given a bill at 11 o'clock in the morning to study. It seems next to impossible to go over a section like this unless you spend two or three hours on it. We have found fault with the press in the Senate, but rushing things of this importance is no way in which to get a good press. I just had time to make a few notes on it, and I am going to discuss them and then get an explanation later.

With regard to Section 18, this is certainly class legislation as it discriminates against many hundreds of small companies with tens of thousands of minority stockholders many of them widows and orphans. These companies were set up in the ordinary course of business. There was no intention on their part of evading taxation in any way. Some were started to gain more economical operation—others in order to get the best management they thought available. Companies can be related to one another and be in an entirely different line of business. I can think of small utility companies set up in certain districts to help out the community, or small insurance companies.

Take along our border of the United States, a small Canadian company may be operating and related to another Canadian company, whereas right alongside of them and in competition with them, would be an American company related to a larger company or partnership across the border. Now the latter will get the benefits of the reduction in taxation, whereas the Canadian company will not. How is the Canadian company going to meet competition? Often the head of a family business may die and the heirs may be children or women and they sometimes seek an affiliation with larger companies in order to secure management. The latter company may, or may not invest in a portion of the stock of the smaller company, but generally they do. Why show suspicion of these companies, who over the years have conducted their business in a straightforward manner and especially penalize thousands and thousands of minority holders, mostly small investors. They are minority holders often through circumstances beyond their control and there is no reason to believe that in future these companies would do anything to evade taxation. There would be no objection whatever to a clause restricting large companies in future breaking up into smaller companies in order to take advantage of the Act, but to make the Act retroactive and especially penalize small companies whose setting up had nothing to do with the Act or taxation of any kind.

I can give many concrete cases where the Act would prove, as it now reads, unjust and unfair and if put through as is, it would be impossible for minority holders to help themselves. They would be unreasonably discriminated against through no fault of their own, and while their competitors get a reduction in taxes they are being denied their rights. They have gone on for years the same as other companies, looking toward the day when a reduction in taxation would come to them and now, through this class legislation, it is being held up in an absolutely unfair way. In fact their taxes are being raised 3 per cent adding insult to injury. A great majority of these companies have separate audits by professional accountants, and what profits they make have little or nothing to do with other companies which they might be related to. In any case the latter will have their own audits which the government can demand. These separate