

3. That the following income shall not be liable to surtax, either

(a) all income up to five thousand dollars; or

(b) "earned income" up to but not exceeding fourteen thousand dollars; or

(c) income equal in amount to the sum of the exemption and allowances for dependents to which a person is actually entitled under the said act; whichever is the highest.

4. That

(a) in determining "earned income" the amount of any salary or bonus shall be subject to adjustment commensurate with the services rendered and any amounts in excess of such adjustment shall be regarded as "investment income";

(b) where an expense is common to both "earned" and "investment" income the expense shall be apportioned.

5. That the corporation rate of tax be increased from $12\frac{1}{2}$ per cent to $13\frac{1}{2}$ per cent.

6. That consolidated returns be not permitted except in cases where a subsidiary company is wholly owned by another company (directors' qualifying shares excepted); is in the same general class of business; the fiscal periods of the companies are co-incident; and both companies are operating in Canada, and under such other regulations as may be prescribed. When consolidation is permitted the corporation rate of tax on such returns shall be increased from $13\frac{1}{2}$ per cent to 15 per cent.

7. That dividends received by shareholders be taxed by an allowance for depletion of 20 per cent in lieu of the present allowance.

Mr. FRASER (Cariboo): With regard to the gold tax, is there not a duplication of taxation under this section? The tax was paid last year and it would seem that the income is being taxed again this year.

Mr. RHODES: There is an overlapping to this extent, that the original bill as brought down last year expired on May 31 this year and the income tax is applicable, under the provisions of the budget resolutions, as of the end of the fiscal year or the first of April this year. There is therefore an overlapping in part with respect to the months of April and May, but to that extent only.

Mr. FRASER (Cariboo): This increased tax covers 1934 as well as 1935. To that extent is it not a further duplication? The gold producers have already paid the tax and you are going back and making this increased tax apply to 1934 income. At any rate, that is my interpretation of this provision.

Mr. RHODES: There is no increase in the tax. The provisions have reference to the depletion allowance, and the depletion allowance has reference only to the fiscal year 1935; it is not retroactive to cover last year in so far as the gold companies are concerned.

Mr. RALSTON: Does the minister contemplate under the bill any amendment to this item or the item in connection with cor-

poration taxes, so as to remove the duplication referred to by the hon. member?

Mr. RHODES: I have none in mind at the moment with respect to either the corporation tax or gold. There is one amendment which may be introduced in the committee stage of the bill with respect to the gift tax, but not with respect to the corporation tax or gold.

Mr. RALSTON: It has been pointed out that there is a substantial increase in taxation so far as gold mines are concerned. There is a decrease in the depletion allowance. The depletion allowance was fifty per cent and is now thirty-three and one-third per cent. There is now an increase in the corporation income tax rate and the net result, as calculated by those who are interested, is a forty-four per cent increase in taxation on the net operating income of mines subject to the bullion tax. In addition to that, the bullion tax remains on for the first five months of 1935. That is, the new increased taxes are put on and at the same time the old bullion tax remains for five months of 1935. I presume the minister has had representations in regard to this matter and has made a definite decision, but it does seem rather unfair and not what was contemplated when he brought down his budget statement. It was not contemplated that there should be a definite increase and double taxation in connection with these mines when the general impression was that there would be a decrease in view of the fact that the bullion tax was being removed.

Mr. RHODES: If there is any injustice that ought properly to be remedied, I prefer to deal with it in committee stage on the bill. I have not been in close touch with my office for the last few weeks, but on the whole, while there may be exceptions, the present set-up of the gold tax is acceptable. It may be that in respect of one or two companies it varies inequitably, and if on inquiry it appears that this is so, I shall be glad to deal with the matter on the second reading of the bill.

Mr. FRASER (Cariboo): I suggest to the minister that he give careful attention also to the question I have raised because I have information from a gold mining company that this is double taxation without any question about it, and I hope the minister will take care to see that it is not made applicable as a double tax. The contention is that the shareholder is now taxed notwithstanding that he has already paid the bullion tax. You make that retroactive.