

it acquires that status then it is in the position to pay out all that accumulated surplus without a 15 per cent tax, which was never intended. It was only intended that what had borne the 15 per cent tax would move out from that which had accumulated. Now it bears the 15 per cent tax and this is to ensure that the dividends move out only if the amount of the surplus accumulated when it became one of these things has moved out and borne the tax.

The CHAIRMAN: What about the reverse situation? What about the company that starts out as a non-resident corporation and has accumulated a surplus which it might pay out at any time without tax but it has not paid it out, and then it became a regular corporation? Would it likewise, in reverse, in those circumstances carry forward that same tax on the portion of the surplus accumulated after it became a regular corporation?

Dr. EATON: No.

Senator BRUNT: Tidy that up next year.

Dr. EATON: It gets a 15 per cent tax instead of a 47 per cent tax. Currently it pays only 15 per cent, then it becomes an ordinary corporation and pays 47 per cent.

The CHAIRMAN: But I am talking about the disbursement. Can you distinguish between the surplus that accumulated when it was a non-resident owned company as against when it was an incorporated company? It seems to me that the surplus of a non-resident owned investment corporation is in the category of a tax paid surplus, that it might go out at any time without further tax. Now, does it lose that benefit when it becomes a regular company?

Dr. EATON: I think it does the way it stands, but whether it should or not it is too late for me to answer that.

Senator BRUNT: I am still right—next year you can tidy that up.

Section 40 agreed to.

The CHAIRMAN: Now we come to section 41. Mr. Harmer, have you anything to say on this?

Mr. HARMER: Nothing that has not already been said, Mr. Chairman.

Senator MACDONALD: This is a section which covers the case of where I make a gift of real property to the extent of \$10,000.

The CHAIRMAN: Yes.

Senator MACDONALD: The question was raised in the house by me whether a man and his wife had to continue to reside in the premises and make it their home. A spouse makes a gift of a \$10,000 home, and it is their home for the next week when they sell the house and move into an apartment.

The CHAIRMAN: Surely once they recognize it as a gift they do not take it back, do they?

Senator MACDONALD: I do not know.

The CHAIRMAN: Mr. Harmer would you care to express any view on that?

Mr. HARMER: It is a very interesting question. As I read the law it just says that it has to be used and it does not say for a month, an hour or a day or a week.

Senator ASELTINE: There is no time limit.

The CHAIRMAN: I know, but in the case of a gift to the spouse as a place of residence, if the husband is a donor and made a declaration in writing of his gift and the purpose of it, does that satisfy the requirement of the statute, or do they have to move in?

Mr. HARMER: I think we would accept it.