

Taxation

Prior to 1947 most Canadian co-operatives were regarded as being exempt from the payment of federal taxes on income providing they complied with certain sections of the then existing income tax legislation. A Royal Commission on the taxation of co-operatives conducted hearings throughout Canada in 1944 and 1945; as a result of its report, new legislation respecting the taxation of co-operatives was brought before the Federal Parliament in 1946.

In brief, new co-operatives only are exempt from taxation and then only for the first three years after the commencement of business. All other co-operatives are taxable but their taxable income may be reduced by the amount of the patronage refund paid, providing certain conditions are fulfilled. *

* See Appendix IV.