

4. Section nineteen of the said Act is repealed and the following is substituted therefor:—

Surplus
distribution
taxable.

“19. (1) On the winding-up, discontinuance or re-organization of the business of any incorporated company, the distribution in any form of the property of the company shall be deemed to be the payment of a dividend to the extent that the company has on hand undistributed income earned in the taxation period 1930 and subsequent periods. 5

Corporation
tax to be
paid if
through sale
or winding
up the
dividend
deemed to be
paid thereby
is paid to a
corporation.

(2) Notwithstanding anything in the Act contained, where a dividend is deemed to be received under subsection 10 one by a company incorporated or carrying on business in Canada, such dividend shall be taxable income of such incorporated company, and where such a dividend is paid to a company incorporated outside of Canada and not carrying on business in Canada, the company which is being wound-up, discontinued or re-organized shall deduct from such dividend a tax at the rate in force for corporations in the year in which such dividend is paid and shall pay the same to the Receiver General of Canada.” 15

5. Subsection one of section twenty-two of the said Act 20 is repealed and the following is substituted therefor:—

Family
corporations.

“(1) The shareholders of a family corporation may elect any time within thirty days after the date on which returns of income by corporations are to be made that in lieu of the corporation being assessed as a corporation, the income of the corporation be dealt with under this Act as if such corporation were a partnership, and each shareholder resident in Canada shall then be deemed to be a partner and shall be taxable in respect of the income of the corporation according to his interest as a shareholder. Provided however that the corporation, notwithstanding any such election, shall continue to be liable in respect of the interest of any non-resident shareholder in the income of the corporation.” 25 30

6. The said Act is amended by inserting after section 35 twenty-five the following section:—

Dividends of
non-resident
employees
taxable.

“25A. The income liable to taxation under the Act of every person residing outside of Canada who renders services in Canada as a director, officer or employee of any company carrying on business in Canada, the majority of the voting shares of which are owned or controlled by any such person, or any combination of them, or any trustee acting on his or their behalf, shall include dividends and interest received, by him or them or his or their trustee, from the company with which he is so associated or any subsidiary thereof and shall be taxable against such person.” 40 45