

son of a contract which it might have with the United States company to sell its product at a very low rate, it might show no profits at all. I may say this section is the same as the one in the Business Profits War Tax Act, inserted for the purpose of making such companies contribute reasonably under that measure of taxation.

Subsection agreed to.

On subsection 3, of section 3—Non-residents:

Sir HERBERT AMES: May I ask the minister what will happen in a case like this. I know a gentleman in Montreal who is manager of a large business concern. He is an American citizen, and still holds, technically speaking, his residence in the United States. He is taxed on his income in the United States, but he draws his income as a salary in Canada. Will he be taxed a second time in Canada, and therefore have to pay two income taxes?

Sir THOMAS WHITE: I should say the Government which should give way would be the Government of the United States. This gentleman is domiciled in Canada and is drawing his salary in Canada. There is no reason why he should not pay the income tax. If he is subject to an income tax in the United States, that is a matter he should take up with the United States Government. I cannot see how we could distinguish his case from the case of any one else drawing a salary in Canada.

Mr. LOGGIE: Does this subsection include a corporation?

Sir THOMAS WHITE: Yes.

Mr. LOGGIE: Does a corporation doing business in Canada, whose head office is in the United States, have to make up a statement of the revenue from its Canadian business?

Sir THOMAS WHITE: Yes.

Subsection agreed to.

On section 5—Incomes not liable to tax; paragraph (j):

The military and naval pay of persons who have been on active service overseas during the present war in any of the military or naval forces of His Majesty or of His Majesty's Allies.

Mr. GRAHAM: I presume that, as a matter of fact, comparatively few incomes of men at the front will be taxable any way?

Sir THOMAS WHITE: Some. Their pay is exempt.

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Mr. GRAHAM: I know that the pay they receive as members of the military forces is exempt but their entire incomes are not exempt. Has the Government considered the question of exempting the entire incomes, up to a certain amount, of men who are serving at the front?

Sir HERBERT AMES: They will be exempt to the extent of \$3,000 besides by this Bill.

Mr. GRAHAM: I imagine they will be exempt up to \$3,000. But suppose a man's income is \$5,000, would it be unreasonable that, in consideration of the fact that he is serving at the front, he should be exempt to that extent? I have not thought of the matter very much. It was suggested to me to-day. I am not sure of the effect it would have on the finances but the minister might think it over and it might be worthy of consideration.

Sir THOMAS WHITE: I think it worthy of consideration. As a matter of fact there is no exemption we could give that would be more than these men deserve, but when we exempt the military and naval pay of those who have been on active service overseas we practically exempt them all from the income tax levied because there is a \$3,000 exemption besides.

Mr. GRAHAM: That is for married men.

Sir THOMAS WHITE: Yes, and \$2,000 for single. My own view is that there will be no taxation for those who are at the front.

Sir HERBERT AMES: What is the argument in favour of paragraph (h)?:

The incomes of such insurance, mortgage and loan associations operated entirely for the benefit of farmers as are approved by the minister.

Supposing a co-operative, mortgage or loan association was conducted for the benefit of people who were not farmers? In the cities there are co-operative building societies.

Sir THOMAS WHITE: Paragraph (f) exempts them:

The incomes of mutual corporations not having a capital represented by shares, no part of the income of which inures to the profit of any member thereof.

If a company is not operated for the gain of the shareholders it will be exempt.

Mr. McCREA: It appears to me that men who are at the front should not only have their pay exempt but also any other in-