

with the earned portion of the contract up to the end of 1917, as it were, then I can understand it.

Sir THOMAS WHITE: Let me read to my hon. friend a part of the language of the clause:

There shall be attributed to each of the accounting periods in which such contract was partially performed, such proportion of the entire profits or estimated profits in respect of the complete performance of the contract as shall be properly attributable to such accounting periods respectively.

The company that was carrying on its business properly and not seeking to evade the Act by postponing the taking of profits would have no difficulty with the department. This merely gives the department power, and that is the sole intention, to prevent the evasion of this taxation by deferring of taking profits from the accounting period to which they properly belong. I may say that this is taken directly from the English Act, and its purpose is the same as the purpose of the provision in the English Act.

Mr. GRAHAM: They might defer the dividends also.

Sir THOMAS WHITE: They might to evade the taxation. But this injures nobody who is carrying on his business properly.

Mr. NESBITT: He might be carrying on his business properly. Suppose a man's year ends on the first of April. He has to give an accounting first on the 31st of December, 1914, so that in that accounting he covers part of the year before. Then at the end of 1917, he will have the benefit of that portion of the year, because he will not have to account after this Act expires for that portion.

Sir THOMAS WHITE: I think my hon. friend is right in his statement; that is to say, if his accounting period expires, say, in April, 1917, he would have all the months free from then to the end of 1917. But that does not touch the point of this provision. It is designed to prevent men in business from deferring taking profits which they have earned in an accounting period for the purpose of keeping down their earnings in that accounting period and consequently paying less than they might be properly entitled to pay under the provisions of this Act. The provision means that the minister or the department may say to such a party: "Now, your earnings are greater than you have returned. It is true that you have not taken all out of that contract that you

should, and you should take more out, because, if you do not, the result is going to be that in 1918 you are going to take account of the profits out of the contract, although you earned them in 1916 and 1917."

Mr. NESBITT: If he keeps his books right, he will have to show how the profit was earned.

Sir THOMAS WHITE: There will be no trouble if he is not trying to evade the Act.

Mr. GRAHAM: I would like to ask a question as to the disposition of profits. This case was put up to me the other day. A member of a company took his profits as they were distributed. His share amounted to about \$20,000. He invested that money in the war loan. In figuring the profits of the company, will the fact that he, after drawing his profits, invested them in the war loan, be taken into account?

Sir THOMAS WHITE: My hon. friend will realize that a company is different in law from all or any of its shareholders. It is a separate entity. It is distinct from the body of its shareholders, and from the shareholders themselves, as A is from B, and this taxation is levied against the company and the company's net profits. What happens to these profits after the company has paid them out to its shareholders is a matter with which we are not particularly concerned for the purposes of this Act.

Mr. McCREA: The minister stated that the power contained in the remuneration clause as it now stands is not for the purpose of holding directors and officers of a company down to a hard and fast rule that they shall not increase salaries, but that it is in order to enable the minister to use discretion, and they will be allowed to vote just such remuneration as he may consider reasonable. Does the clause, in its present form, permit the minister to use discretion in that respect, or is it not a little stringent as it now exists?

Sir THOMAS WHITE: It will permit the payment of proper sums for salaries, although it is in the power of the minister to say: "You have increased the salaries unduly."

Mr. McCREA: Does the clause give the minister that power?

Sir THOMAS WHITE: It says:

—unless the minister, owing to any special circumstances, otherwise directs.