

iums and the tax on income. That is not the case. In the past mutual insurance companies, and also the stock, fire and casualty insurance companies—in fact all insurance companies, including the life companies—have paid what I call an arbitrary tax on the premiums received from their policyholders. As I have said before, I have always felt that there is no logical reason why the premiums received by these insurance companies should be taxed. There should be some relationship, one would think, between profits and taxes.

These small companies—mostly mutual companies doing fire, casualty and other insurance—do not for one moment object to being taxed on their profits. I would like honourable senators to bear in mind that while these companies have been so far subject to a tax on their premiums only and have paid no income tax at all, they never thought that was a right procedure. They have always felt that they should be subject to income tax on their profits, just as any other business concern is, but because the tax on premiums was practically the same in amount as the income tax would have been, they raised no particular objection. The government now proposes, in this bill, to subject these companies to the income tax on their profits while continuing the tax on their premiums. This would mean practically doubling their taxes. My contention has always been that the premium tax should be wiped out altogether, because no such tax is paid by other concerns, and that these companies should pay a straight income tax on profits, as all other companies do. They are quite willing to pay that. Why they should be subjected to income tax on their profits and also to an arbitrary tax on premiums, and thus have their taxation practically doubled, I cannot comprehend.

It has of course been brought out that this additional tax is another way of getting revenue for the country. True, if this bill does not go through the government's revenue may be some \$800,000 less than it would be otherwise. But if it is merely revenue that the government wants, it can get scores of millions more by subjecting all businesses to an arbitrary tax of 2, 3 or 4 per cent, as it may choose. Why should the small insurance companies be singled out for this one arbitrary tax?

The reason the amendment proposes that these companies be entitled to deduct their premium tax from their income tax is simply that we do not desire foreign insurance companies to obtain an advantage over Canadian insurance companies. Under this bill the small mutuals, like other Canadian insurance

companies, will pay a tax on all their profits, including interest on investments. These small companies make very little money out of underwriting, their chief income being derived from interest on investments. I might add that their investments are largely in Victory bonds, and have been of some assistance to the country. The foreign companies are taxed on nothing but their underwriting profits and their premiums. In other words, they are not taxed on profits from investments, and in that respect there is a discrimination in their favour and against our companies. Therefore it seems to me only fair to have the premium tax levied on the foreign companies as a sort of recompense, if you like, or balance, to make up for the fact that our companies pay income tax on all profits, including interest on investments.

That, briefly, is the story. The objection is to double taxation. As a matter of fact, in respect of some of our Canadian stock companies—and an honourable senator who is not here today knows very well whereof I speak—there is triple taxation. In the first place, there is the tax on premiums, then there is the tax on the company's profits, and then the individual shareholders are taxed on their dividends. I say that is unjust.

Of course the country needs money, but I am sure that no senator would say there should be any discrimination against small mutual insurance companies as compared with any other business concerns, whether in the mercantile, manufacturing, or any other line. Charge these insurance companies income tax on all the profits they make, but why subject them to this other arbitrary tax as well?

Under the law as it stands these companies will be compelled to pay the tax on their premiums. My suggestion is that the amount they pay in this way should be deductible from their income tax. In that way they will pay their full income tax, just as any other company does. As a matter of fact, even under this arrangement some of them might pay more than their full share of income tax, because if in any one year a company, after having paid the premium tax, happened to make no profit at all, there would be no income tax from which it could deduct the premium tax. And, for some of these small companies the premium tax might amount to a substantial sum.

A statement was made that the imposition of income tax on the profits of co-operatives and mutual insurance companies is in accordance with the report of the Royal Commission on Co-operatives. I will not burden the house with a discussion of that. I will simply say that while this one recommendation of the