

The CHAIRMAN: Subsection (7) relates to the application of the section.

Hon. Mr. HAYDEN: How do you deal with a situation prior to that time? Have you been allowing it in many cases?

Mr. GAVSIE: This is to make the law conform to the practice.

On section 12—dividends received by a corporation.

Hon. Mr. HAYDEN: This is beneficial. What do you do, for instance, if you have a foreign subsidiary, say, in England and the parent company here, and the taxes in England are higher than the corporate taxes here, so that the subsidiary in England would pay at the higher rates on these profits?

Dr. EATON: That is right. We are just saying that we will not tax that again. It is removing double taxation by just not taxing.

The CHAIRMAN: Shall section 12 (1) carry?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 12, subsection 2, carry?

Some Hon. SENATORS: Carried.

On Section 13—resident in Canada part of a year.

Dr. EATON: The new system is to tax an individual resident in Canada during part of the taxation year, and who is during some other part of the year not resident in Canada, on the income earned in Canada, apportion his exemptions and then determine his tax liability.

Hon. Mr. HAYDEN: That is actually the way it was done for years. I know that in relation to professional baseball players, they just tax them on the earnings in Canada. They have done that for years.

Dr. EATON: This is for a non-resident person performing services in Canada.

The CHAIRMAN: Does section 13, subsection 1 carry?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Does section 13, subsection 2 carry?

Some Hon. SENATORS: Carried.

On section 14—life insurance corporations.

Hon. Mr. HAYDEN: Would Mr. Gavsie explain that?

Mr. GAVSIE: The change is that we have just taken out section 28 in the Act. As we have section 28 out of the Act, we have to amend this section so as to remove the words "28".

Section 14 was agreed to.

On section 15—computation of tax.

Section 15, subsections 1, 2, 3 and 4 were agreed to.

On section 16—employee not resident during last year of employment.

Mr. GAVSIE: With respect to an employee on retirement getting a lump-sum payment, there is an option for his being taxed as a separate person rather than including it in his income for the year. This provision primarily arose because of the fact that Newfoundland came into Confederation, and the person did not have an actual previous year of taxation in Canada. So what we say is what his taxation would have been had he been in Canada.

Some Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 16, subsection 1 carry?

Some Hon. SENATORS: Carried.

The CHAIRMAN: Shall section 16, subsection 2 carry?