

Hon. Mr. HAYDEN: It covers more than collection.

Mr. GAVSIE: Well, that is the first thing. Sections 108 and 109 deal with investigation procedure.

Hon. Mr. HAYDEN: It covers search and inquiry.

Mr. GAVSIE: I am sorry, sections 108 and 109 are the collection procedures and 110 deals with the seizure of chattels, which as far as I am aware has never been used. Section 115 is the investigation procedure.

Hon. Mr. HAYDEN: The investigation procedure as provided in the new Act would apply from this date in respect to past years.

Mr. GAVSIE: Yes, and so we would have one system. This is purely procedural in order to have one system rather than operating two at the same time.

The CHAIRMAN: Shall section 46 carry?

Some Hon. SENATORS: Carried.

On section 47—foreign tax deduction under Income War Tax and Excise Profits Tax Acts.

Hon. Mr. HAYDEN: There is no use repeating what I said about section 32 (3) earlier today about declaring what the law always has been, but perhaps the officers would explain this. This has been enforced for years and it is up to the courts to settle the matter. Maybe it is not a large matter.

Dr. EATON: As far as I know there are four or five companies involved in this.

Hon. Mr. NICOL: Are there any cases pending?

Dr. EATON: So far as I know there were no appeals with respect to this provision when this Act was given first reading in the House of Commons.

Hon. Mr. NICOL: Have some cases come up since?

Dr. EATON: I believe there has been an appeal since this bill was given first reading.

Hon. Mr. NICOL: Is it the same case to which you referred a while ago?

Hon. Mr. HAYDEN: No, it is an entirely different matter.

Hon. Mr. DUTREMBLAY: Does this apply only in excess profits?

Hon. Mr. HAYDEN: No.

Mr. GAVSIE: I understand this was amended in the House of Commons so as to be limited to a much greater extent than it was in the bill. All it applies to now is what you call a 4 (R) dividend that comes into Canada tax free, and is not included in the income of the parent company. It is a dividend from a subsidiary that comes into Canada tax free. It is not included for tax purposes whatsoever. Now, if it comes from the United States, that country withholds 15 per cent of that dividend. This is to make it clear, that since Canada does not in any way tax them, there is no tax credit given in respect to that dividend.

Hon. Mr. HAYDEN: Then, you are not working any hardship.

Mr. GAVSIE: Oh, no.

Hon. Mr. HAYDEN: They would be getting an unfair advantage if you permitted the other possible interpretation.

Mr. GAVSIE: There is no question about that.

Dr. EATON: The tax credits were to remove double taxation, but now we do not tax these dividends so therefore there should be no tax credit.

Hon. Mr. HAYDEN: With that explanation it is not so bad.

Section 47 was agreed to.