

only annual statements to the shareholders. Under part 1, sec. 3 of the Act (sub-sec. a) the amount of tax paid under part 1, "The Special War Revenue Act, 1915," may be deducted from the tax that would otherwise be payable under the Business Profits War Tax Act. That clause has caused a good deal of misunderstanding, as the words "part 1" as set forth in the Act have evidently been overlooked. The Special War Revenue Act has several parts, tax on railway tickets, on patent medicines, and several other different methods of taxation, and claims have been submitted that all these taxes, including the additional postage tax, should be deducted. Part 1 of the Special War Revenue Act has reference only to tax paid on bank note circulation, the income of trust and loan companies, and the premiums of certain insurance companies; and last year, in order to leave no doubt as to the meaning of that section, the words were inserted that the tax paid under the said Act must not be charged as an expense. The reason of that amendment was this: if the tax paid under the Special War Revenue Act were allowed to be treated as an expense of the company, by a trust and loan company, say, and in addition treated as a deduction from the tax payable under this Act, where the rate is, say 25%, the company would be getting \$1.25 for every dollar it paid, and I may say the argument was put forth that under the section as originally enacted a company was entitled to claim \$1.25; of course I may add that no one secured that rate. So that accounts for the amendment of last year, and also the words "Income Tax," were added.

Now the next sub-section (b) applies to dividends: "Dividends received from the stock of any incorporated company which has paid a tax upon its profits under the provisions of this Act shall not be included when the profits of any business are being determined."

That applies to dividends received by an incorporated company, and has special reference to dividends received by a holding company from a subsidiary, the profits of which have been taxed, the idea being that it would not be right or proper to have double taxation in Canada.

The next sub-section (c) refers to taxes paid in the United Kingdom, India, or any Dominion, Colony, or Dependency of His Majesty or any Allied country, under legislation for raising revenue for the war. It was thought proper at the time that if a tax was paid by a company in Great Britain, say, in respect to its Canadian business, it would be generous on the part of Canada to give credit to the extent of that amount on the tax payable here. Last session it was deemed advisable in view of conditions that had arisen regarding the administration, to repeal that provision. But I may say that sub-sec. c will still apply to account-