

Hon. Mr. HAYDEN: We will come to you if we are in any trouble.

Hon. Mr. HORNER: I would not like to see my good friend from Margaree Forks (Hon. Mr. MacLennan) placed under any undue burden.

The CHAIRMAN: If any lawyers do not understand section 35, subsection 2, let them speak up now.

Some Hon. SENATORS: Oh, oh.

Section 35, subsection 2 was agreed to.

The CHAIRMAN: We come now to section 35, subsection 3.

Dr. EATON: This is purely a technical change. It used to be that the tax payable was an amount equal to 32 per cent of the consolidated taxable income for the year, but instead of specifying the total rate it is provided that an additional 2 per cent be added.

Mr. GAUSIE: Yes, and the parent company is the one that is taxed in the case of a consolidation.

Hon. Mr. HAYDEN: Then the subsidiary would not get it?

Mr. GAUSIE: As I understand consolidations, you get the taxable incomes of all the entities and that is all taxed in the hands of the parent. Therefore, the parent is the only taxable corporation of the group.

The CHAIRMAN: Shall section 35, subsection 3 carry?

Some Hon. SENATORS: Carried.

Section 35, subsection 4 was agreed to.

On section 36—reply to appeals.

The CHAIRMAN: This deals with the procedure in respect of appeals to the Exchequer Court.

Mr. GAUSIE: Heretofore the section provided that the pleadings to be determined as ordered by the court and the president of the Exchequer Court has suggested that the provision be put in the Act itself. The respondent has to file in the court a reply to the notice of appeal, admitting or denying the fact alleged. It is just having the proceedings provided for in the Act itself rather than having the court make an order.

Hon. Mr. HAYDEN: Where is that?

Mr. GAUSIE: It starts "the respondent shall, within 60 days from the day the notice of appeal is received, or within such further time as the court or a judge thereof may either before or after the expiration of that time allow, serve on the appellant and file in the court a reply . . ."

Hon. Mr. GOVIN: You have changed first of all the word "may" and replaced it by the word "shall", and then you have added the provision concerning the further time to be granted by the court.

Hon. Mr. HAYDEN: All I am concerned about here is whether we are getting into a position that, if the pleadings are not technically correct, the person is going to lose the right he has when he makes the appeal.

The CHAIRMAN: No. It just gives him the right to go to the court and the judge and amend his notice of appeal. This was not specifically provided for heretofore.

Sections 36 and 37 were agreed to.

On section 38—dividends.

Dr. EATON: This section deals with the position of non-resident owned investment corporation. As I said a while ago, they have a special rate of tax on their income of 15 per cent. We have a provision corresponding, that their dividends may go out tax free. However, they may enjoy that tax free dividend privilege only if they have conformed to certain conditions. One of these condi-