

Hon. Mr. HAIG: If there is none?

Dr. EATON: If there is none there is no tax.

Hon. Mr. EULER: But if there is?

Dr. EATON: If there is an undistributed income in the hands of the corporation, upon redemption of common shares, you are deemed to have received a dividend equal to your proportionate part of that undistributed income on hand.

Hon. Mr. HAIG: If I do not get any of it?

Dr. EATON: You have received money from the redemption of that share, and that is deemed to be a dividend.

Hon. Mr. HAIG: I put \$100 in a company and get one share. Ten years afterwards there is a surplus of \$50,000 in the company, and the company have the power to redeem my shares at par, and they pay me \$100. You say that is taxable?

Dr. EATON: You are deemed to have received undistributed income on that.

Mr. GAUSIE: That is the par share.

Hon. Mr. HAIG: That is not taxable?

Dr. EATON: Shares which would not participate in that upon winding up.

Hon. Mr. HAIG: This does not.

Dr. EATON: Oh, well, that is different.

The CHAIRMAN: Your understanding is correct, then.

Hon. Mr. HAIG: Sure.

Hon. Mr. LAMBERT: May I ask Senator Crerar if the United Grain Growers today is defined as a "co-operative" company?

Hon. Mr. CRERAR: Yes. The incident I have cited is the United Grain Growers—

Hon. Mr. LAMBERT: I know, but is it a co-operative company or not? That is all I want to know.

Hon. Mr. CRERAR: Well, leave that aside for a moment.

Hon. Mr. LAMBERT: You do not answer my question.

Hon. Mr. CRERAR: Here is the question: The United Grain Growers is incorporated in a federal charter and it does not have the benefit of this section, but a provincially incorporated company, doing precisely the same work as the United Grain Growers Company, may benefit from this section. Why the discrimination?

Hon. Mr. LAMBERT: You have said that several times now. I am asking you if the United Grain Growers is a co-operative company?

Hon. Mr. CRERAR: As a matter of fact, I will ask Dr. Eaton for the answer.

Some Hon. SENATORS: Oh, oh.

Dr. EATON: I cannot answer the question of whether the United Grain Growers is a co-operative company or not because I have no definition of what is a co-operative company.

The CHAIRMAN: In order to clear up this point may I ask Dr. Eaton this question: The Saskatchewan Co-operative Pool, say, charges their members \$25 to come in. A man is in it for a while and goes out and leaves an asset of \$25 plus \$10. If he has paid the \$25 and does not take the \$10 out, he is exempt from taxation on the \$10, but if he takes that \$10 out then he is charged income tax on it even under provision. He must only take back what he pays in.

Mr. GAUSIE: Oh, yes.