

he has in mind. That is not to admit, of course, that it is, of necessity desirable. But I do not think we should require an amendment to the act in order to allow that apportionment to which he refers to be made. I can assure my hon. friend that we would not need law to do that.

Mr. FULTON: A letter which I wrote to the minister, to which his letter was in reply, had to do with the same matter to which the hon. member for Kindersley was referring, and the objection which I was making was that the income tax return required cooperatives to show "what portion of refund was on 'living expense' and what on 'production expense'". The letter to me went on:

All this is entirely new and applies to 1945 business altho' paid in 1946.

The point made by my correspondent was this. After he had closed his books for 1945 and had not kept books in such a way that he could say what portion was on one and what was on the other, he wanted to know how he could be expected now, in 1947, to go back to 1945. Business done in 1945 was reflected in the 1946 tax which was payable on April 30, 1947. I had intended to cover both points in my letter to the minister, and when I saw his answer saying that the matter would be considered and possibly a change would be effected in this bill, I thought he was referring to both points. It does seem to me that to make a distinction between what portion of a payment is on "living expense" and what portion is on "production expense", is really more than an administrative matter. Would that not require a definition? Could that not be covered by a definition in the act?

Mr. ABBOTT: I am not too familiar with the particular practice to which the two hon. gentlemen have referred, but the officials assure me that this is a matter for administrative determination. The question of not being taxable in 1946 is taken care of in the amendment which is introduced in this section. The other question, I am told, does not require an amendment. The situation, as I understand it, is this. I think I made the statement in the house that a dividend from a consumer cooperative was not taxable, but a dividend from a producer cooperative was. There are some cooperatives which are both producer and consumer cooperatives. That is, I believe, correct. The difficulty arises in apportioning the patronage dividend which is declared and paid, as between the consumer part of the business and the producer part. That does not require specific law. That is a question of accounting practice, administrative determination, or whatever you like to call it. Possibly

[Mr. Abbott.]

the Department of National Revenue makes certain rules on apportionment and those rules may not be—and I say "may not be"—soundly based. But they can change them if they are not. That is the point which I think my hon. friend has in mind.

Mr. FULTON: It is a matter entirely for the Department of National Revenue, is it?

Mr. ABBOTT: It is an administrative decision of the Department of National Revenue in accordance with the facts; it is made according to accounting principles, on whatever the facts show.

Mr. WHITE (Hastings-Peterborough): I should like to ask the minister one question while he is dealing with cooperatives, and I ask it purely as a matter of information. It has to do with the great confusion which exists among cheese factories as to whether they are to be taxed in 1947. In eastern Ontario there are a great many of these cheese factories; some are incorporated as cooperatives, some as joint stock companies, and some have really no legal incorporation of any kind. But roughly, the cheese factory consists simply of a number of farmers who have joined together for the production and manufacture of cheese and butter; and after the deduction of costs of manufacture and other running expenses, the remainder of the money on hand is divided among the patrons according to the number of pounds of milk they have sent in during the year. I think it would be helpful if the Minister of Finance or his colleague, the Minister of National Revenue, could make some kind of statement as to these various cheese factories. I would point out to the minister that the only official in the factory who is paid is the president, who is generally also the secretary and treasurer. They have the idea, perhaps wrongly, that they are now to be taxed and be burdened with complicated returns, deductions and things of that kind. If the minister could make some simple statement, I am sure it would be very much appreciated.

Mr. ABBOTT: That is perhaps right; if it were possible to make a statement which would cover all cases, it would undoubtedly be helpful. I am told that the conditions vary so much, as my hon. friend has indicated, in these different cooperatives that it is hard to make a short, simple statement covering them all. If they are a corporation, then, of course, they are subject to tax in 1947, the same as any other corporation. If they have paid out patronage dividends these are deductible as an expense before arriving at the net taxable income. My colleague the Minister of National Revenue points out that, in answer