

Income Tax Act

Mr. Speaker: Is it the pleasure of the house that the bill be read a third time now by leave?

Some hon. Members: Agreed.

Mr. Fleming (Eglinton) moved the third reading of the bill.

Motion agreed to, bill read the third time and passed.

INCOME TAX ACTMOTION FOR CONCURRENCE IN SENATE
AMENDMENTS

The house resumed from Tuesday, July 14, consideration of the motion of Mr. Fleming (Eglinton) for the second reading of and concurrence in amendments made by the Senate to Bill No. C-48, to amend the Income Tax Act.

Hon. Donald M. Fleming (Minister of Finance): Mr. Chairman, this matter was before the house on July 14, just four days ago. I hope, for that reason, I can abbreviate these few remarks. The Senate introduced two amendments to the bill to amend the Income Tax Act, Bill No. C-48, and those are to be found on page 579 of *Votes and Proceedings* of June 18. As I mentioned on July 14, the first amendment is very simple. On page 11, line 16 of the bill, it is proposed, after the word "or" to insert the word "charterparty". As I mentioned on Tuesday, Mr. Speaker, this is purely a drafting matter and there is no question whatever of substance involved. It is suggested, for that reason, that the amendment be accepted.

However, on the second amendment, some discussion ensued when the matter was before the house on Tuesday. By that amendment the Senate proposed to strike out clause 19 of the bill which is found on page 11 of the bill. You will recall, Mr. Speaker, that in the debate on July 14 the house expressed itself in firm terms on the principle of amendments by the Senate to money bills. The Leader of the Opposition said, as recorded on page 5982 of *Hansard* for that date:

Mr. Speaker, it seems to me that a very important constitutional principle is involved in this matter. I am sure we all feel that we have a duty to ensure that the rights and privileges of this house are not violated, circumscribed or abridged by any action which we might be taking arising out of action taken in the other place. The rights and privileges of the House of Commons are well known in this matter and the limitations on the action of the other house in respect of those rights and privileges are also well known.

Further along, he referred to my remarks to the effect that the government accepted this course, perhaps reluctantly. Then, he said:

If the government's reluctance was due to the substance of the amendment in question, it seems

to me all the more surprising that the government would take this particular course. If the government's reluctance is due to misunderstandings which may be created in the future because of the procedure we are following and because of the possible effect of that procedure on the rights and privileges of this house, then it seems surprising to me that having this reluctance the government would pursue this particular course.

The government made quite clear its view on this matter. The Prime Minister (Mr. Diefenbaker) in his intervention in the debate confirmed very plainly the rights and privileges of this house in the matter of money bills, and reaffirmed the established principle, well recognized in this house, that while the Senate may reject money bills it may not amend them. I wish to remind the house that in introducing the matter I said this at page 5978 of *Hansard*:

I wish to emphasize, Mr. Speaker, that the government does not concede any right or power on the part of the Senate to amend money bills. Had this been a more serious matter, or had this amendment related to something affecting the revenues, I would have considered it my duty to challenge any infraction of the privileges and rights of this house thereby created.

It was made clear that this clause 19 was not introduced into the bill with the object in view of enlarging the revenues. It was introduced with a view to abridging what was regarded as a discrimination or favoured position enjoyed by foreign business corporations under the Income Tax Act here. In the light of the views expressed in the house, the government is pleased to reaffirm, re-emphasize and reassert the principle that money bills passed by this house may not be amended in the other place.

Mr. Benidickson: Even a reduction in taxation?

Mr. Fleming (Eglinton): May not amend money bills, is the time honoured reply, and for that reason the government is proposing a somewhat different course on this occasion.

I shall mention only very briefly the background of the amendment itself. I give this merely because the hon. member for Kenora-Rainy River (Mr. Benidickson) asked some questions on this subject on Tuesday. If the house continues to share the view of the principle at stake in the constitutional aspects of this matter then I take it that the house, having spoken on an earlier occasion on this subject, namely May 4, will desire to affirm the position it took at that time and reject the amendment proposed by the Senate in striking clause 19 out of the bill.

Let me very briefly say that the effect of clause 19 of the bill was to close the class of foreign business corporations which under section 71 of the Income Tax Act now enjoy exemption from taxation under that act,