

Hon. Mr. CAMPBELL: I do not think there is anyone to second the motion.

The CHAIRMAN: That is unnecessary. Perhaps, Senator McLean, we can deal first with subsection (1), to which your amendment does not relate. Shall subsection (1) be adopted?

Carried.

Now we come to subsection (2), "related corporations." That, I think, is the one to which Senator McLean's remarks are directed. It says:

Where two or more corporations are related to each other in a taxation year, the tax payable by each of them under this part for the year is, except where otherwise provided by another section, 33 per cent of the amount taxable for the taxation year.

And subsection (3) provides:

Notwithstanding subsection (2), where two or more corporations are related to each other, the tax payable by such one of them as may be agreed by them, or if they cannot agree, as may be designated by the minister shall be computed under subsection (1).

Hon. Mr. DUPUIS: May I know from the Parliamentary Secretary of the Minister what happened about this request of Bennett Limited about this section 36?

Mr. SINCLAIR: Senator, that was but one of many letters that we received, and it was because of that that the minister gave his assurance in the house. He said that the present subsection covers at least 95 per cent of the small businesses which it was the intent to help. It also stops the abuse of this section by big companies who wanted a split-up, and he gave the house the assurance which was in that letter, that for that little group of related companies for which it is very difficult to make provision and yet be fair to big companies, he would give further study between now and when the budget is brought down in March. But he pointed out that no injustice is being done to anybody at the moment, since these tax laws will not actually be effective until the returns come in next year. So if a change were made in March which would help these related companies it would be effective on this taxation year. That is why he asked that this be passed now, to give immediate encouragement to small business; but if Senator McLean and others feel that a provision could be drafted which would be fairer to these companies, and would bring it forth in the three or four months before the budget comes down, he gave an undertaking in the other house, and I know the same holds good here, to give very careful consideration to it.

The CHAIRMAN: You have heard the explanation of Mr. Sinclair. We have an amendment of Senator McLean which is not in any form, but we know the purpose and intent of the amendment. In effect it would be to strike out subsections (2), (3), (4), and (5) of section 36 as re-enacted.

Are you ready for the question? Shall the amendment carry? . . . The amendment is lost.

The CHAIRMAN: Shall subsection 2 carry?

Some Hon. SENATORS: Carried.

Section 18, subsections 3, 4 and 5 were agreed to.

On Section 19—foreign tax deduction.

Dr. EATON: That amendment is consequential upon the amendment which I referred to a while ago about the person taking up residence in Canada or giving up residence in Canada. The purpose of this subsection 1 is to prevent a person coming to Canada and being resident part of the year, from taking a tax credit in respect to income which we do not tax. That is, he has paid foreign tax to another government in respect to income that he earned while he was