

Income War Tax Act

On section 13—Salaries and other periodical payments.

Mr. FRASER (Peterborough West): Subsection 3 provides in the case of bearer coupons or warrants that the taxes imposed by this section shall be collected by the encashing agent or debtor. Will that not put quite a strain on the banks?

Mr. ILSLEY: This is not new.

Mr. FRASER (Peterborough West): Was that done in the case of coupons?

Mr. ILSLEY: Yes.

Mr. GRAYDON: Subsection 4 reads:

In the case of interest or dividends in respect of fully registered shares, bonds, debentures, mortgages or any other obligations. . . .

Does this mean that a man who has a mortgage on his home and is paying interest to a private individual or a mortgage company will deduct 5 per cent from the interest?

Mr. ILSLEY: No. This is in connection with non-residents. This is a withholding tax.

Mr. GRAYDON: It has nothing to do with the ordinary resident?

Mr. ILSLEY: No.

Mr. MAYBANK: In connection with the section just passed I should like to ask where a definition will be found of base metals and strategic metals? Is foil considered as a mineral?

Mr. ILSLEY: There is no definition in the act. The Minister of National Revenue places his own interpretation upon these words after consultation with the metals controller or the Department of Mines and Resources.

Mr. MAYBANK: That is in the original act?

Mr. ILSLEY: No, it just works that way; that is all.

Section agreed to.

Sections 14 to 22 inclusive agreed to.

On section 23—Taxpayer's estimate of tax payable.

Mr. ILSLEY: I want to say a word about the last subsection of this section. I made a statement two or three days ago about these corporations which will, under this bill, make their payments in twelve instalments, and I said that the interest and/or penalty for deferring the payments due at the end of July and at the end of August would be 3 per cent instead of 8 per cent and that that would apply up to the end of the twelve-month period of payments.

[Mr. Gibson.]

I wish to say two things in addition, and I want these to be brought to the attention of the companies in so far as they can be.

In the first place I appeal to the companies to pay just the same if they possibly can. I appeal to their desire to help the activities of the country and the government to that extent. I did not mean by that announcement to intimate that it was just as satisfactory to the government to have them defer their payments until six, eight, ten, or twelve months; that is not the case. We want the money to be brought in. The concession was made to meet what was represented to be an intolerably harsh situation, because some of the companies were on instalments, and the last two instalments, those due in July and August of this year, would fall due on the same dates as the two first instalments of the coming year. Then there were other companies not under the instalments, I presume, which were intending to defer one-third of their tax until August 31. Therefore that is the first point I want to make, that the government would like the companies to make payment of their instalments if they possibly can.

The second point I want to make is this. I see some hon. gentlemen smiling to think that I would be so naive as to make an appeal like that to people. I do not agree with that at all.

Mr. MacNICOL: What was the word the minister used?

Mr. ILSLEY: I said "naive". But I want to point out that, in fixing the rate of 3 per cent, which appears to be a low rate, that 3 per cent is not deductible as an expense in carrying on the operations of the company, and therefore it is not the ordinary 3 per cent that they would be paying to a bank which would be deductible as an expense of carrying on the business of the company. It is strictly not deductible, and therefore it is a less attractive rate of interest than at first blush it might appear to be.

Therefore I would ask the companies for two reasons to make their payment at as early a date as possible: first, because it is helpful; second, because it will pay.

I want to say that I am told that the other day *Hansard* reported me as giving the rate as 2 per cent, not 3 per cent.

Mr. CASSELMAN: That appeared only in part of the section.

Mr. ILSLEY: The rate was 3 per cent.

Section agreed to.

Sections 24 to 27 inclusive agreed to.

On section 28—Gift tax rates.