

The reason why I was under the other impression was that the schedule was affected not directly but indirectly, in the manner I have just mentioned.

Mr. MANION: The minister said that certain changes were made in the definitions. Will he explain what they are?

Mr. ILSLEY: The chief change is in paragraph (c) (ii) from lines 25 to 32. That is a limitation which did not appear, I am informed, in the other act. It provides that capital shall not include capital stock to the extent that it represents the value of good will or other intangible assets, whether paid for in cash or not, or appreciation in value of assets used in the business unless the minister is satisfied that capital values should be recognized in whole or in part to the extent that cash was used in the purchase of good will or other intangible asset. That is the chief change in the definitions.

Mr. DONNELLY: I understood the minister to say in reply to a question asked by the hon. member for Rosetown-Biggart that on a capital of \$1,000 the government got ten per cent in excess profits taxation, and that the tax actually received by the government would be \$21.20. I should like to know how he arrived at that figure.

Mr. ILSLEY: The capital is \$1,000; the profit, \$100, and the corporation income tax is 18 per cent; that is \$18. That is allowed as a deduction before we begin to apply the excess profits tax. Therefore we start with \$82 which in a way is subject to the excess profits tax. But 5 per cent is exempt from excess profits tax; that is \$50 which is exempt. That leaves \$32 which is subject to excess profits tax. The rate of excess profits tax between 8 and 10 per cent is 10 per cent. So the excess profits tax is 10 per cent of \$32, or \$3.20. Now \$18 income tax and \$3.20 excess profits tax gives the figure of \$21.20.

Amendment (Mr. Howe) agreed to.

Mr. MacNICOL: I would ask a question with reference to goodwill. Paragraph (c) (ii) says:

(ii) capital stock to the extent that it represents the value of good will, other intangible assets, whether paid for in cash or not, or appreciation in value of assets used in the business unless the minister is satisfied that capital values should be recognized in whole or in part to the extent that cash was used in the purchase of good will or other intangible asset.

A company might have purchased a plant five years ago, and at that time the goodwill might have been of some value, but in the meantime the company might have gone out of manufacturing the line which represented

the goodwill for which they paid cash. So the goodwill would apply to a line they had ceased to manufacture. Would that be taken into consideration under this clause?

Mr. ILSLEY: To the extent that cash was paid for goodwill, the minister has power to allow the stock representing the goodwill to be considered as part of the capital.

Mr. MacNICOL: Irrespective of whether the company had ceased to manufacture the line representing the good will for which cash had been paid?

Mr. ILSLEY: The minister has that power.

Mr. MacNICOL: He would have the power not to include it?

Mr. ILSLEY: He has the power to include or not to include the value of the goodwill as part of the capital of the company.

Section as amended agreed to.

Section 3 agreed to.

On section 4—Deductions.

Mr. ILSLEY: Mr. Chairman, there is a printer's error in this section, or a bad arrangement of the clauses, which I wish to correct by an amendment. Lines 34 and 35 reading, "Dividends received from any company incorporated in Canada" should be paragraph (e) and should come immediately after (d). Paragraph (e) in the bill, which reads, "The governor in council may provide by regulation for depreciation of plant and equipment built or acquired to fulfil orders for war purposes," should be subsection 2 of section 4. It does not belong in that list of clauses at all.

Mr. LAPOINTE (Quebec East): I move accordingly, Mr. Chairman.

Amendment agreed to.

Section as amended agreed to.

On section 5—Exemptions.

Mr. NEILL: Would the minister indicate the nature of the exempted businesses alluded to in this section?

Mr. ILSLEY: They are municipal undertakings, charitable institutions, labour organizations, mutual corporations, clubs, certain farmers' associations, credit unions, 4-K companies, farmers' cooperatives. That indicates the nature of the exemptions. I have indicated them very briefly, not comprehensively, but my description can be amplified by reference to the other act.

Section agreed to.

Sections 6 to 11 inclusive agreed to.

Bill reported, read the third time and passed.