

were practising again in the profession—as I hope to do as soon as parliament prorogues, because I must earn a living—

Mr. DUNNING: Hear, hear. I must try to retain the hon. gentleman.

Mr. CAHAN—I think I would advise such clients who had in view the organization of a Canadian company to reconsider their position. I can find for them other states under the British crown in which they could incorporate and avoid these taxes; they could avoid the payment of the five per cent and possibly other heavy income taxes as well. The minister is running near the margin.

Mr. DUNNING: With that I agree.

Mr. CAHAN: You are endangering the position, the citadel, it seems to me. I have great confidence in the astuteness of those who are administering the income tax in Canada. I have had something to do with them; they are very anxious to conserve the interests of the state and to ensure that the income tax is levied and paid. But we are getting very near the margin, and I think there will be fewer of these international companies incorporated in Canada hereafter under a  $7\frac{1}{2}$  per cent tax than there have been in times past.

Mr. COLDWELL: The minister's statement meets the situation to which I have had reference to a degree, but not wholly. I understand that something of this sort is done: A dummy company is formed; securities are transferred to that company; the owner of the securities receives non-interest bearing debentures. Therefore he receives no income from the property which is transferred. The income from the property is outside Canada. It is reinvested in non-interest bearing debentures and is treated as capital appreciation—

Mr. DUNNING: Is this a Canadian corporation?

Mr. COLDWELL: Yes. When funds are required, a formal sale of debentures is put through, by the people who organized the companies originally, and the result is that all forms of taxation are escaped. That is the information I have, and I shall be glad subsequently to supply the minister with details.

Mr. DUNNING: I shall be very glad indeed to get such details, but I point out that in one particular at least the situation cannot be quite as my hon. friend understands it, because certainly a company formed as he suggests would itself pay income tax on its income. The individuals owning that company could of course leave the company's income in the company and thus

avoid personal income tax on receipts from the company, but offhand I cannot see how the company could escape taxation upon its own income. However, I shall be very glad indeed to get any information of that kind.

Mr. CAHAN: It is the duty and the privilege of this parliament to enact laws to conserve dominion income derivable under the income tax, but I do not think there is any responsibility upon members of this parliament to concern themselves regarding the collection of income tax in Great Britain or the United States or any other foreign country. Those countries are very astute in the enactment of income tax laws under which they can obtain to the last cent full payment of the taxes which they levy. It is our duty to concern ourselves with the income of Canadians and to obtain such proportion of their income as is required for the purposes of the treasury. I have no hesitation, looking at it either from the political or from the moral point of view, in leaving foreign countries and foreign legislatures to enact such legislation as they may deem advisable for the purpose of preserving or increasing their revenues through their own income tax laws. If my hon. friend who has just spoken and raised the question has studied the income tax law of Great Britain, for instance, he must have found that the British parliament is very astute in making provision for the collection to the utmost possible extent of revenue derivable from the income of people domiciled in the united kingdom. That is not a concern of ours.

As to the moral aspect, in the practice of my profession I often adhere to the moral precept of an eminent English judge who says that there is no immorality in escaping an income tax that is not legally imposed by the law of the country. If it is under British legislation the income tax has to be interpreted strictly, but if it does not apply then there is no obliquity in endeavouring to escape from a tax that is not properly and legally applied. So I think we should be astute in looking after the payment of income tax by Canadians domiciled in this country, and not so astute in looking after the payment of income tax to foreign countries by those resident in foreign countries.

The hon. gentleman stated that many people in this country escape paying income tax. I do not accept his statement. If he has to do with advising clients as to the application of the income tax law he will find that in no country—none at least with which I am acquainted—is the income tax more strictly applied and more carefully collected than it is in Canada at the present time, and few escape.