

Senator POWER: I did not get a proper understanding of the third condition you read from the memorandum just now.

The CHAIRMAN: That was only dealing with the 15 per cent tax:

Where the predecessor corporations had undistributed income on hand at the end of 1949 but did not avail themselves of the opportunity of paying the 15 percent tax thereon permitted by section 105(1), the new corporation will be given the right to pay the 15 per cent tax as though it had a 1949 surplus of the same amount.

Well, that is the true theory of a merger; everything is squeezed up into one, and what was in three or four companies before becomes only one company, and it does not go into any taxation as a result of the process; it is a true amalgamation.

Sections 30 and 35 agreed to.

On Section 36—How Appeal Instituted.

The CHAIRMAN: Mr. MacLatchy, this is the correcting section that you were referring to a few minutes ago?

Mr. MACLATCHY: Yes.

The CHAIRMAN: So that when the notice of appeal is sent forward by registered mail, that is the method of filing.

Section agreed to.

On Section 37—Service.

The CHAIRMAN: This section also deals with the same subject matter.

Section 37 agreed to.

The CHAIRMAN: Subsection 2 at the bottom of page 27 reduces the amount of the deposit that an appellant has to put up to go to the Exchequer Court, and under this bill it is nominal, being \$15. Mr. Harmer informs me that the \$15 is not returnable, but I should think the taxpayer would regard it as beneficial.

On Section 38—Duty of Registrar.

The CHAIRMAN: This section defines the duty of the registrar. It is consequential on the previous section.

Section 38 agreed to.

On Section 39.

The CHAIRMAN: Section 39 deals with section 105. This deals with a special situation, I think, does it not, Mr. Harmer?

Mr. HARMER: Yes, under the present law a corporation which wished to take advantage of the 15 per cent tax on undistributed income had to pay on its total undistributed income at the end of 1949 even though since that time it may have incurred losses or paid out dividends which reduced that to a lesser figure. This permits it to pay on the lesser of what it had in 1949 or has now.

Senator BRUNT: They can elect on the amount they have available at the time they pay the tax if they so desire?

Mr. HARMER: Yes, sir.

The CHAIRMAN: How does that work in with your matching dividends after 1949? How do you harmonize the two situations?

Mr. HARMER: Well, they could not match dividends until they had paid tax on their 1949 surplus.

The CHAIRMAN: But if they have a 1949 surplus of \$100,000, and say in the year 1956 that has been wiped out, but there have been accumulation since