

The CHAIRMAN: We can see here, witness, where the co-operative might build up a great big surplus, and each shareholder withdraw in turn and get his dividend without tax, and go back in the company again. Have you got a provision against abuse?

Dr. EATON: Well, sir, if it is just the redemption of stock, the surplus is still there in the company; the company has not been wound up; and although you can say that each member has received back a part of the capital which he put in, the surplus is still there in the company to be taxed whenever it is received by the member.

The CHAIRMAN: But does not this exempt him from tax when he takes out his asset?

Dr. EATON: The individual is paid back what he paid in upon receipt of that share.

The CHAIRMAN: But not a surplus?

Dr. EATON: Not a surplus.

Hon. Mr. HAIG: That is all right.

Hon. Mr. MCKEEN: He only can get back what he put in?

Dr. EATON: Yes.

Hon. Mr. HAIG: Oh, that is all right. You can get that in any company.

Hon. Mr. CRERAR: Why the distinction between provincial incorporation and Dominion incorporation?

Dr. EATON: Perhaps you will recall that we never had, and we have not in this present law, a definition of a co-operative; and there is no Dominion co-operative law. So to take care of the sort of case that was represented to us it is stated in terms of companies incorporated under provincial law.

Hon. Mr. CRERAR: The United Grain Growers, for instance, are incorporated by Dominion incorporation.

Dr. EATON: That is correct, sir.

Hon. Mr. CRERAR: The benefits of this section would not be available to their shareholders?

Dr. EATON: That is correct sir.

Hon. Mr. HAIG: His answer is wrong.

Hon. Mr. CRERAR: Just a moment. But a provincial organization carrying on precisely the same sort of operations as the United Grain Growers would have available to it the benefits of this section?

Dr. EATON: I believe that is right.

Hon. Mr. CRERAR: Why the discrimination?

Hon. Mr. HAIG: Wait a minute before you answer that. Please let me interrupt, because the answer is incorrect. Any company, co-operative or otherwise, can get its capital back and pay no income tax on it as long as the shareholders just get back the money they put in, but they cannot get back any of the surplus. The same applies here.

Dr. EATON: Wait a minute—

Hon. Mr. HAIG: That is what you said.

Dr. EATON: No. I was referring to this section which abated the general law for co-operatives. Perhaps I should say, incorporated under provincial co-operative legislation. That benefit is open to them. But it is not a general provision.

Hon. Mr. HAIG: But if I put money in a company—any company—there is no tax when I get my capital back and I have no further interest in it?

Dr. EATON: Yes, there is, if there is a surplus on hand.