directly by an individual who has the means to create a personal holding company, and investment through unincorporated associations, the effect of the present income tax situation is to impose upon a shareholder participating in an investment fund, through the medium of an incorporated company, an additional tax. This places a penalty upon the small investor who because of inexperience and because of limitation of investment funds seeks to obtain through incorporated management investment companies the security of diversification and experienced supervision. It is submitted that such additional taxation is inequitable and represents, to the extent to which that income in the hands of the investment company is taxed, triple taxation of the profits originally earned and taxed in the hands of the earning company and in the hands of the recipient.

Because of the diversification of investment and of the experienced supervision afforded certain Canadian incorporated investment companies have unquestionably succeeded in attracting to Canada investment by foreign investors, a large part of which would probably not have come to Canada had this type of investment "medium" not been available. To the extent that foreign funds have been attracted in this manner the Government through the 5% tax upon interest and dividends payable to non-residents is obtaining tax revenues that it otherwise would not receive. To the extent that income taxes are payable by the investment companies their attraction as an investment "medium" is reduced. As larger income taxes become payable it will be increasingly difficult to attract foreign capital, and may result in withdrawals of some foreign capital or investment with consequent reduction in Government revenue.