will be taxed upon $2,000 and will be liable to pay $80. As to how he will get that money, I am not in a position to say, but he will be liable for it under this Act. I do not see how it could be otherwise, unless we reduce the Act to a nullity.

Mr. C. A. WILSON: Suppose a lawyer collects in fees $5,000 in a year, and the expenses of running his office are $3,000, his net revenue for purposes of taxation will be $2,000?

Sir THOMAS WHITE: Yes.

Sir WILFRID LAURIER: In section 3 it is provided:

> Income . . . shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment.

That is quite intelligible, but I want an explanation upon what follows:

> And, whether such gains or profits are divided or distributed or not.

Sir THOMAS WHITE: My right hon. friend has touched upon a very important provision of this measure, and he asks a very proper question. We have been desirous of assessing, not only the amount which a man may choose to take out from his business, but also his share of the profits which are actually earned by the partnership during the year. A partnership might earn $100,000, and if it was assessed as a partnerships, the assessment would be upon $100,000 less the exemptions. But the partners might say: There is an income tax and we will not take $50,000 apiece—if that was the share to which they were each entitled;—we will take only $5,000 apiece, and will pay income tax only upon that $5,000. That would not be fair. My right hon. friend would have to pay upon his income because it is definite and ascertainable; but if a partner were entitled to one-half of the partnership profits, and if he took only part of his profits out of the business and that were counted as his income, he would escape taxation on part of what he had really earned in the partnership. My right hon. friend does not agree with me in that? I think he is wrong if he does not agree with me in that. If we are going to assess an individual who is in business upon his profits in that business, then we should assess a partnership, or a joint stock company upon its profits in its business. But we assess the partners individually upon their incomes, and therefore it is necessary to assess them not only upon the profits that are actually distributed, but upon the profits to which they are entitled. There is one point in this connection to which my right hon. friend has drawn attention. Following the words which he has quoted, we have these words:

> The share of any gains or profits made by any syndicate, trust, association, corporation or other body, or any partnership, to which a taxpayer would be entitled if such profits or gain were divided or distributed.

I am not clear at present as to whether these words should be allowed to remain in the Bill or not. The intention was that we should assess shareholders in respect not only of the dividends which they actually receive, but also of their share in the earnings of the company though not actually distributed amongst them. The idea was to prevent the company from paying a small dividend and piling up large reserves which it could at any time distribute to its shareholders. But there is in the Bill a provision further on. Subsection 4 of the same section provides that:

> For the purpose of the supertax only, the income of a taxpayer shall include the share to which he would be entitled of the undivided or undisturbed gains and profits made by any syndicate, trust, association, corporation or other body, or any partnership, if such gains and profits were divided or distributed, unless the minister is of opinion that the accumulation of such undivided and undistributed gains and profits is not made for the purpose of evading the tax, and is not in excess of what is reasonably required for the purposes of the business.

There are some privately-owned companies which might defeat the purpose of this Act by paying a small dividend and accumulating profits instead of distributing them amongst their shareholders. This subsection is to prevent such an evasion of the tax. As I say, I am not at the moment clear whether in subsection 1 of section 3 the words "the share of any gains or profits made by any syndicate, trust, association, corporation or other body, or any partnership, to which a taxpayer would be entitled if such profits or gain were divided or distributed," should be left in the Bill. I shall give the matter further consideration and shall express my opinion to the House later on. If I decide they should come out, I shall move an amendment. I can see a possible hardship in that shareholders who are not seeking to evade any liability under this measure and who receive, let us say, a dividend of 10 per cent, would find themselves, under the express terms of this measure, assessable for, say 12 or 15 per