

Right Hon. Mr. MEIGHEN: Yes, according to the explanation given here.

Hon. Mr. HORSEY: Should we have the option of taking payment at par?

Right Hon. Mr. MEIGHEN: Apparently not. However, when we reach that happy stage we shall feel so elated that we shall not care what tax is to be paid.

There are further details. For instance, the Minister is given power to determine whether or not a man who lives part of the time in Canada and part elsewhere is a resident of Canada. A man may be a resident of Canada even though he lives in this country only two months of the year and spends the rest of his time travelling. He may have a home in one place one month and somewhere else the next month. There is no way in the world of bringing him within the express verbiage of a few sentences; so the Minister is given power to say whether or not he is a resident of Canada. Furthermore, a man is not allowed to set up a trust in Canada and have his trustee hold his investments. These are the more important of the explanatory or declaratory clauses affecting the two five per cent taxes.

The next paragraph is a very important one, and meets a very difficult situation. For example, the Canadian National Railways have very large issues in which the trust deed provides that the company shall pay any tax that may be assessed in respect of the income from its bonds. What was in contemplation, of course, was the ordinary income tax. Now, if that could be assessed against the company, we should not get it at all, because what the company pays we pay. And the words I have used as applying to Canadian National bonds apply to many others. The intention is that the person receiving income from these bonds shall pay the tax. Consequently we go so far as to say that

Every agreement for payment of interest or dividends in full without allowing any such deduction or withholding shall be void.

I presume this is within the powers of the Dominion, and if so, it is the best way to meet a difficulty.

Hon. Mr. McRAE: Is that not another violation of contract?

Right Hon. Mr. MEIGHEN: All taxation is, in a way.

Hon. Mr. McRAE: But does not the trust deed specifically provide that the company shall pay the taxes? And if we take the position that this is void, shall we not be causing the violation of contract?

Right Hon. Mr. MEIGHEN: There might be room for debate upon that; there certainly would be room for difference of opinion. At all events, the explanation I have given is correct, for it is the same as the one appearing in the Bill:

Subsection 9 of section 9B is to ensure that the tax is borne by the person entitled to receive the interest or dividends and not by the person who has to pay the interest or dividends.

The object is to endeavour to help the debtor as against the creditor, in these days when all the advantages, because of economic conditions, are with the creditor. In my position I have naturally more sympathy with this endeavour than perhaps the honourable senator from Vancouver (Hon. Mr. McRae) has.

Hon. Mr. McRAE: This is a big question just now, and I understood that it was a matter for international agreement. There is much discussion going on about helping out the debtor class, with which class I am entirely in sympathy, notwithstanding the right honourable gentleman's presumption to the contrary. We had an example of that in connection with the question of reducing the gold content of our dollar. I am entirely in sympathy with that.

Right Hon. Mr. MEIGHEN: But this would have nothing to do with that feature. This merely says that the tax that we are imposing must be imposed by the debtor. The constitutional point is that inasmuch as we have the right to tax, we have the right to say who shall be the ultimate person to pay the tax.

Hon. Mr. McRAE: Notwithstanding the covenant of the Canadian National Railways to the contrary, that they will assume the tax? If we prohibit them from doing that, shall we not be causing a violation of the covenant? We are now saying that the covenant of the Canadian National Railways is void.

Right Hon. Mr. MEIGHEN: I think that is correct.

Hon. Mr. LITTLE: For the sake of peace, order and good government.

Right Hon. Mr. GRAHAM: For the general advantage of Canada.

Hon. Mr. BALLANTYNE: Honourable members, I do not want to say anything about the point under discussion just now, but would refer to the clause that taxes non-residents of Canada five per cent on revenue derived from Canada. I cannot understand why the Government did not impose an income tax against the residents of all countries which levy an income tax on dividends payable by people of those respective countries