

Dr. EATON: The individual has freedom from tax if the co-operative itself redeems common shares.

Hon. Mr. McKEEN: I do not think it is fair. If a man is withdrawing from a company and getting his money back, that is different; but if he is not withdrawing from the company, and simply wants to get some of this surplus they have there, and they redeem half or a quarter of their shares, I do not know why that provision should not be made for a private company as well as a co-operative.

Dr. EATON: In cases I am familiar with—and I am familiar with a good many—the ordinary set-up is, one member, one share.

Hon. Mr. McKEEN: There are others.

Dr. EATON: There are others: I admit that.

Hon. Mr. McKEEN: If this amendment gives the right to pay a man back for all his shares, I can go along with it; but if he is just going to take a dividend, the purpose of the Act is being defeated.

Hon. Mr. LAMBERT: What definition of "co-operative" do you go on?

Dr. EATON: Co-operatives that are incorporated under provincial legislation.

Hon. Mr. KINLEY: What does that "one man one share" refer to? A man may have a lot of shares, but only one vote.

Dr. EATON: I can only speak from experience of the co-operatives in the Annapolis Valley. For instance, the old system was one share one vote, and one share per man.

Hon. Mr. KINLEY: I know of corporations where you can have a lot of shares but only one vote.

Hon. Mr. EULER: Is this a discrimination in favour of co-operative shareholders as against shareholders in any other type of corporation?

Dr. EATON: I think so. It is a distinction.

Hon. Mr. HAIG: It is intended to do that.

Hon. Mr. LAMBERT: If, for instance, the Wheat Pool in the West, which is a co-operative organization, declares a distribution of—whatever you call it—reserve from its earned surplus, that is not taxable.

Hon. Mr. HAIG: Oh, yes, it is.

Dr. EATON: Well, depending on the method. This has to do with the artificial deeming of dividends to have been declared if the corporation redeems common shares.

Hon. Mr. LAMBERT: You are speaking about a joint stock company, as distinguished—

Dr. EATON: Under the old section 9, which is now, I believe, section 73, the general law is that any corporation which redeems common shares and has undistributed income on hand at the time, the shareholders are deemed to have received a dividend to the extent of that undistributed income on hand.

The CHAIRMAN: Might I ask the witness, did someone ask for this amendment; and is it liable to be abused?

Dr. EATON: I could answer the first part. This proposed amendment is the result of representations received by the government, and the amendment here proposed is to take care of that case.

Hon. Mr. EULER: From whom did these representations come?

Dr. EATON: I believe, sir, from the Co-operative Union of Canada.

Hon. Mr. McKEEN: Did they ask for this right when the shareholders withdraw, or did they ask for this in any case?