



## CHAPTER 15

### An Act to amend the Corporation Tax Act

*[Assented to, the 18th of May, 1935]*

**HIS MAJESTY**, with the advice and consent of the Legislative Council and of the Legislative Assembly of Quebec, enacts as follows:

**1.** Section 4 of the Corporation Tax Act (Revised R. S., c. 26, Statutes, 1925, chapter 26), as amended by the acts 20 s. 4, am. George V, chapter 26, section 1, and 24 George V, chapter 13, section 2, is again amended:

*a.* By replacing the words: "or representative", in the tenth line of paragraph 9 thereof, by the words: ", representative, vendor, salesman on commission or employee";

*b.* By replacing the words: "or representative", in the twelfth and thirteenth lines of the said paragraph 9 thereof, by the words: ", representative, vendor, salesman on commission or employee";

*c.* By replacing paragraph 10 thereof by the following paragraph:

"10. "Paid-up capital", when this expression relates to an incorporated company, for the purposes of section 5, subdivision 1, of this act, means and includes the paid-up capital stock of the incorporated company, its surplus and reserve fund (except any reserve for wear and tear depreciation, the creation of which is allowed as a charge against revenue under the section 5*a* of this act), all sums or credits advanced or loaned to the incorporated company by any other company (not including any bank), and all sums borrowed by the incorporated company by the issue of bonds, debenture-stock, debentures, mortgages or other like securities, provided that with respect to goodwill, included as an asset, a deduction may be allowed to the

extent that such goodwill, in the opinion of the Provincial Treasurer, has no value,—provided, also, that, for the purposes of this paragraph 10 and of subdivision 1 of section 5 of this act, when the statement shows that the capital stock is without any nominal or par value and also shows a deficit, the amount of such deficit may be deducted from the amount of such capital stock, provided that the balance of such capital stock be not less than five dollars per share;”;

*d.* By adding thereto, after paragraph 10 thereof, the following paragraph:

“Profits”. “11. “Profits” include the annual profits directly or indirectly made from any trade or manufacture, or from commercial, financial or other business, and also include interest, dividends and profits directly or indirectly received from money at interest, with or without security, or from investment in stocks or any other form of investment and also the annual profit or gain from any other source.”

R. S., c. 26,  
s. 5, am.

**2.** Section 5 of the said act, as amended by the acts 16 George V, chapter 61, section 2; 20 George V, chapter 26, section 2; 21 George V, chapter 28, section 1; 22 George V, chapter 23, section 1, and 24 George V, chapter 13, section 3, is again amended:

*a.* By adding to the paragraph 2 of subdivision II thereof, after the word: “dollars”, in the fifth line thereof, the words: “, save and except on any sub-agency where the person in charge thereof is paid only on a commission basis”;

*b.* By adding immediately after paragraph 2 of said subdivision II thereof the following paragraph:

Surtax.

“3. A surtax of 45% of the amount of the taxes imposed and payable under paragraphs 1 and 2 of this subdivision II.”

R. S., c. 26,  
s. 5a, am.

**3.** Section 5a of the said act, as enacted by the act 22 George V, chapter 23, section 2, and amended by the act 24 George V, chapter 13, section 4, is again amended by replacing, after the word: “tax”, in the fifth line thereof, all the words to the end of the said section, by the words: “equal to two and one-half per cent of its profits received in the Province when they are revenues derived from investments, or made in the Province when they are profits derived from any other source, after deducting from such profits only actual expenses incurred and paid or charged during its last fiscal year, but without deducting from such profits, whether they be reserved, paid or charged, any

Tax upon  
profits;

income taxes, nor any dividend, nor without deducting from such profits any charge or reserve for capital account or for wear and tear, depletion, obsolescence or any other depreciation, provided however:

Proviso;

a. That the wear and tear depreciation and the depletion as are allowed by general regulations of the Provincial Treasurer may be deducted from profits under the conditions, limitations and restrictions and to the extent therein set forth, and such regulations shall have the same effect as if incorporated in this act;

Deducting of depreciation, etc.;

b. That, whenever a case is not covered by such general regulations, the decision of the Provincial Treasurer, concerning wear and tear, depletion, obsolescence or any other depreciation, shall, in its respect, be final and conclusive;

Decision by Provincial Treasurer in certain case;

c. That, in no case, shall the amount of the wear and tear depreciation or of the depletion allowed by such regulations, or the amount specifically decided upon by the Provincial Treasurer, exceed the amount respectively set forth therefor in the balance sheet submitted or to be submitted to the shareholders of the company or corporation;

Restricting of amount of deduction, etc.;

d. That the Provincial Treasurer may disallow as a deduction from profits the whole or any part of any salary, bonus, commission or directors' fees which he may consider in his opinion in excess of what is reasonable for the services performed."

Disallowing of deduction in certain case.

4. Section 5b of the said act, as enacted by the act 22 George V, chapter 23, section 2, and amended by the act 24 George V, chapter 13, section 5, is again amended:

R. S., c. 26, s. 5b, am.

a. By replacing the word: "four", in the fifth line thereof, by the word: "six";

b. By replacing the word: "four", in the seventh line thereof, by the word: "six".

5. The said act is amended by adding thereto, after section 5d thereof, as enacted by the act 22 George V, chapter 23, section 2, the following section:

Id., s. 5e, added.

"5e. The financial statements which by this act are required from each company or corporation shall be those showing its affairs only, and for its last fiscal year: they shall be sworn to and signed by its auditor, and, in default of the auditor, by its president and its accountant or by two of its directors, and they shall include a copy of its audited balance sheet as submitted or to be submitted to its directors or shareholders, and subsidiary statements which shall show in concise form the changes during the

Financial statements.

year in its profit and loss, surplus, reserve, depreciation and depletion accounts, or such other details as may be required by the regulations of the Provincial Treasurer."

R. S., c. 26,  
s. 18, added. **6.** The said act is amended by adding thereto, after section 17 thereof, the following section:

Powers of  
Provincial  
Treasurer.

"**18.** The Provincial Treasurer may:

a. Authorize a revenue officer to establish the forms of statements required under this act, which forms shall be used in its application;

b. Establish and adopt regulations to determine the part of the profits which is taxable, in the Province, of any company or corporation doing business both within and outside of the Province, which regulations shall be followed in the application of this act;

c. Determine what constitutes investments within the meaning of section 5a."

Applica-  
tion.

**7.** Paragraph *d* of section 1, and sections 3 and 4, of the present act, shall apply to the profits made or received during the calendar year 1934, or thereafter, by every corporation, company, partnership, firm, association or person, the fiscal year whereof expired on or after the fifteenth day of December, 1934.

Coming into  
force.

**8.** This act shall come into force on the day of its sanction.