

factory manner. Then in 1939 war came and immediately following it higher rates of income tax and the enactment of an Excess Profits Tax Act in 1940. Co-operatives became liable for tax if they paid interest on capital, if they processed their products beyond a bare minimum, if they set aside reserves other than for bad debts and depreciation, if they united into federations or if they acquired subsidiaries, and it was alleged that different interpretations were given by different district inspectors. The Wheat Pools were assessed for tax and gave notice of appeal and outside groups were pressing the Government to take action.

The Co-operative Union of Canada urged the Government to clarify its legislation and, following various representations over an extended period, a delegation from the Union met the Minister of Finance in July, 1944. After considerable discussion, proposals were made to the delegates which they felt unable to accept being bound by their original instructions. Meetings were again held early in September with no decision reached.

Later in that month the three Wheat Pools announced a reduction in their handling charges for grains amounting to 2 cents per bushel in the case of street grain, and 1 cent per bushel on consigned grain. The privately owned line elevator companies protested this vigorously claiming such a cut would ruin them.

The Royal Commission.—Finally, on Nov. 16, 1944, the Government appointed a Commission under Part 1 of the Inquiries Act to inquire into—

- “(a) the present position of co-operatives in the matter of the application thereto of the Income War Tax Act and the Excess Profits Tax Act, 1940, and
- “(b) the organization and business methods and operations of the said co-operatives as well as any other matters relevant to the question of the application of income and profits tax measures thereto, and
- “(c) the comparative position in relation to taxation under the said Acts of persons engaged in any line of business in direct competition with co-operatives, and report, insofar as the same can conveniently be done, all facts which appear to them to be pertinent for determining what would, in the public interest, constitute a just, fair and equitable basis for the application of the Income War Tax Act and the Excess Profits Tax Act, 1940, to co-operatives and to persons other than co-operatives in respect of methods of doing business analogous to co-operative methods, such as the making of payments commonly called patronage dividends and to make such recommendations for the amendment of existing laws as they consider to be justified in the public interest; . . . ”

Beginning on Jan. 15, 1945, at Vancouver, the Commission conducted enquiries in open court in all the principal cities of Canada and concluded their formal hearings on May 3, at Ottawa. These hearings were publicized in advance and any interested person was invited to make a submission in writing and might appear in person or be represented by counsel to support the views set out. Briefs to the number of 175 were filed by co-operative associations, boards of trade, trade associations, corporations, firms, individuals and public bodies.

In addition to these public hearings, government officials were interviewed, a general questionnaire was sent out to a large number of co-operatives that did not submit briefs and the literature on the subject was reviewed. Accountants and economists were engaged on the technical staff. Three of the Commissioners visited Great Britain and two visited the United States to learn of the co-operative movement in those countries especially with regard to income tax. The Commissioners concluded their work on Sept. 25, but their report of 245 pages was not available until early in December, 1945.