

Section 6\* contains a summary of the recommendations of the Commission as follows:—

- “(1) That section 4, paragraph (p), of the Income War Tax Act be repealed.
- “(2) That the Income War Tax Act and the Excess Profits Tax Act be amended to provide for the taxation of co-operative associations and organizations on the same basis as other persons in accordance with the recommendations which follow.
- “(3) That co-operative associations and organizations, joint stock companies, partnerships, and other bodies and persons shall be allowed to deduct, in computing taxable income, such amounts which are paid or credited to their customers, in proportion to the quantity, quality or value of goods acquired, marketed, or sold or services rendered; provided that:
  - (a) Such amounts are paid in cash or its equivalent within six months after the annual meeting of the relevant fiscal period of the association, organization or company and within six months after the end of the relevant fiscal period of other businesses; or alternatively, that they are credited within the same period to each customer and exigible by him on giving such notice as may be deemed reasonable (Appendix D).
  - (b) The statute or statutes under which any such co-operative association or organization is incorporated or registered, or its bylaws, or a contract with its customers, hold forth the prospect that payments will be made in proportion to patronage.
  - (c) The company or other person holds forth the prospect to customers that payments will be made in proportion to patronage.
  - (d) Payments in proportion to patronage shall be at the same rate to all customers with respect to the same type or class of commodities, goods or services, with allowance for differentiation in class, grade or quality where appropriate.
- “(4) That deductions from the gross proceeds of a customer's products be excluded from the income of the association, organization or other business, if applied against an obligation incurred by such customer to purchase shares, or to make other investment in the association; or if credited to the customer, and exigible by him on giving such notice as may be deemed reasonable (Appendix D).
- “(5) That amounts credited in proportion to patronage and deductions from the gross proceeds of sale of the customer's products, which were not deductible for tax purposes when credited or deducted shall, nevertheless, be allowed as a deduction in the period during which they are paid to the customers.
- “(6) (a) That interest, on any form of investment in, or loan to, the association or other taxpayer having a fixed date of maturity, be allowed as a deduction, provided such interest is exigible annually by the claimant or creditor at the rate fixed at the time such investment or loan was made.
  - (b) That interest, on any form of investment or loan which is withdrawable on giving such notice as may be deemed reasonable (Appendix D), be allowed as a deduction if exigible by the claimant or creditor at a rate fixed in advance.
- “(7) That a newly formed association which obtains incorporation or registration under provincial co-operative legislation, or is incorporated as a co-operative under Dominion authority for the purpose of producing and/or marketing natural products of its members or customers and/or of purchasing supplies, equipment, household necessities or services, for its members or customers and which is not owned or controlled, directly or indirectly, by an existing association, or a group of existing associations, shall, with the consent of the Minister, be exempt from income tax for its first three fiscal periods following the commencement of operations. An association claiming such relief should, nevertheless, be required to file annual returns in accordance with Part V of the Income War Tax Act in such form as may be determined by the Minister.
- “(8) That section 4, paragraph (y) of the Income War Tax Act be amended, if necessary, to include associations incorporated or registered under provincial co-operative legislation for providing co-operative housing service.

\* In this Section the word "customer" shall be deemed to include shippers and suppliers as well as purchasers where the context requires.