

married taxpayer earning \$1,400 and having even as many as four dependents, according to last year's rates, paid back ten per cent of the family allowance that he received. If that has not been changed, my point is that the effect is to establish two different exemption levels, and it provides, as from these levels, two different scales of taxation.

It is generally understood that a married man with four children would have an exemption level of \$1,900. That is true, if the \$1,900 is income that he earns at his employment; but if a married man with four children is earning only \$1,400 and receives family allowance, let us say, of \$312 for his four children, putting him up to a total of \$1,712 I contend that he pays what amounts to a tax of ten per cent on the \$312 family allowance that has been given to him. May I make the point again? Here is a married man with four children whose total income is only \$1,712, but because \$312 of that is family allowance he pays tax on all he has received over the level of \$1,400; he does not get the benefit of the \$1,900 level that is accorded to the average taxpayer. I am anxious to know whether a change has been made in connection with this matter.

Mr. ABBOTT: The recovery provisions do not apply any more since January 1, 1947. Since January 1, 1947, the structure is pretty fairly simplified. If a man has children of family allowance age he receives his basic exemption of \$1,500, of course, for being married. Then, if he has four children of family allowance age he would be entitled to another \$400 exemption, \$100 per child and, as my hon. friend has pointed out, that would give him a total exemption of \$1,900 before he pays any tax. But he receives his full family allowance for the four children and there is no refund whatsoever, no matter what his income may be.

In the other case cited by my hon. friend, a total income of \$1,400 with four children, he pays no income tax, of course, because he is below the exemption limit, and he receives his full family allowance. On that basis, with four children, he could have an income up to \$1,800.

Mr. KNOWLES: Up to \$1,900.

Mr. ABBOTT: Yes, up to \$1,900 if he had that income; that is correct. But if his income were \$1,400 he pays no tax; he is below the exemption limit, and he does not need any children's exemption because his income is below the limit where it would be of any use to him. He receives full family allowance, whatever it may be, with the four

children; it is not taxable income, of course, and there is no question of any refund in that case.

Mr. KNOWLES: I am very happy to hear that. Can the minister tell me how this arrangement was made? Was it by an administrative order?

Mr. ABBOTT: No; it is in the law; it has been there since last year's budget. It started on January 1, 1947. It was as a result of careful study and the combining of the family allowance and the basic exemption. That was one of the reasons why it was felt necessary that everyone who had children of family allowance age should apply for and receive family allowance in order that everyone would be on a uniform basis of exemptions and that there would be no question of these refunds or reductions of family allowance because of the income tax scale.

Mr. KNOWLES: In other words, family allowance is now treated as income and one does not pay tax on it unless the family allowance puts him above the normal brackets.

Mr. ABBOTT: Family allowance income is tax exempt income in the hands of anybody. If I have an income today of \$1,900 and I have ten children, all of whom are eligible for family allowance, I get the family allowance for the full ten and I get my regular taxation exemption of \$1,500 plus another \$100 for each child. As a matter of fact, that would be \$2,500 in the case I am giving. It would be a total exemption of \$2,500 plus non-taxable income of whatever the family allowance would amount to for the ten children.

Mr. KNOWLES: So that the provisions that applied to the taxation year 1946 do not apply to 1947.

Mr. ABBOTT: Do not apply now. Since January 1, 1947, the new system has been in effect.

Mr. KNOWLES: That is fine.

Mr. SHAW: Before section 4 is disposed of, I should like to direct attention to one important matter. Residing in Canada we have quite a number of married men who entered this country as immigrants during the late twenties or at other times. Owing to adverse economic conditions which prevailed during the thirties, these persons were unable to contribute substantially, if at all, toward the maintenance of their families which were domiciled outside this country. With the commencement of the war and the general improvement in economic conditions, these persons, while able to contribute toward the support of their families, were not permitted