

Mr. Abbott: We are standing a number of other sections, and perhaps we might allow this section to stand and I will have a further look at it.

Mr. Fraser: When the minister is looking at that will he ascertain whether, when a taxpayer in making out his income tax form puts at the bottom that he has overpaid so much, that does not constitute his application for refund?

Mr. Abbott: I think that is the whole point.

Mr. Fraser: He puts at the bottom that he has overpaid so much. That is his application.

Mr. Abbott: That is the application.

Section stands.

On section 20—*Non-profit corporation.*

Mr. Abbott: I have an amendment which I will ask one of my colleagues to move. It is rather long, and relates to these charitable organizations for which we introduced a provision for tax deduction last year. It arises out of representations that have been made to us that certain charitable foundations might not qualify under the law as it stood.

Mr. Gardiner: I move:

That paragraph (eb) set out in subclause (1) of clause 20 be deleted and the following substituted therefor:

"(eb) a corporation that was constituted exclusively for charitable purposes, no part of whose income was payable to, or was otherwise available for the personal benefit of, any proprietor, member or shareholder thereof, that has not, since June 1, 1950, acquired control of any other corporation and that, during the period,

- (i) did not carry on any business,
- (ii) had no debts incurred since June 1, 1950, other than obligations arising in respect of salaries, rents and other current operating expenses, and
- (iii) except in the case of a corporation that was, before the first day of January, 1940, constituted exclusively for charitable purposes, expended amounts each of which is

(A) an expenditure in respect of charitable activities carried on by the corporation itself,

(B) a gift to an organization in Canada the income of which for the period is exempt from tax under this part by virtue of paragraph (ea), or

(C) a gift to a corporation resident in Canada the income of which for the period is exempt from tax under this part by virtue of this paragraph, and the aggregate of which is not less than 90 per cent of the corporation's income for the period."

Mr. Abbott: Perhaps this amendment might stand so that hon. members can read it in *Hansard*. It is a purely technical change in the section as printed in the bill. The change is to cover a particular case that was brought to my attention in connection with the wording. If we can proceed to section

21, there is a short statement I should like to make before we rise and report progress. It will only take two or three minutes.

Section stands.

On section 21—*Armed forces.*

Mr. Abbott: This section relates to the special method of collecting taxes from the armed forces. I think we had a very helpful and interesting discussion on this subject, not so much with respect to the new tax collection method from the armed forces but with respect to the desirability of exempting armed forces who are serving in theatres of war or abroad from income tax. I outlined the reasons why I felt the system we followed during the last war was not satisfactory. A good many hon. members expressed their views as to what should be done, and I think it fair to say the general feeling was that special consideration should be given to those members of our forces now serving in Korea and who may be serving in other theatres of war. Suggestions were made that there should be a special increased exemption. I put forward the tentative suggestion that it might be covered by combat pay or something of the sort, but in any case I undertook to give the matter further consideration and see what could be done. The giving of a special, additional exemption of course would involve such inequities as would result from the differing incomes of soldiers. The higher ranking personnel would receive the greater benefit from the exemption, and those with private incomes would also receive a greater benefit.

That can be overcome, however, by using the tax credit method. I am going to propose that we give a tax credit of \$1 a day or up to \$365 a year for members of the armed forces serving outside Canada, which in the present case would be those serving in Korea. A discretion would be given to determine what geographical areas would render personnel eligible for the tax credit. In effect that would provide an additional exemption of up to \$1,900 to the lowest paid other rank. In the case of a single officer it would probably extend to a captain, and of course in the case of a married officer it would go very much higher.

It seems to me that has a good deal to commend it. While this is not the governing factor, simplicity and ease of administration from the point of view of the forces of course is important, and the \$1 a day device makes it very easy for the paymaster to calculate just how much tax credit a serviceman is entitled to. I think the general feeling was that it should apply only to those serving in