

Dr. EATON: Yes.

Hon. Mr. EULER: How far does blood relationship go?

Dr. EATON: Perhaps Mr. MacLatchy, from the legal division, will explain that.

Mr. MACLATCHY: I do not think that the term "blood relationship" has been interpreted by the courts in the income tax law of Canada. I think generally speaking it can be said to refer to persons with common ancestry.

Hon. Mr. HAYDEN: That would be everybody.

Hon. Mr. CRERAR: We are all related on that basis.

Mr. MACLATCHY: It has never been subject to an interpretation, as to how far that relationship could go.

Hon. Mr. McKEEN: Should that point not be clarified, so that the taxpayer will know?

Hon. Mr. HAYDEN: We will bring to Dr. Eaton's attention that the term "blood relationship" in the definition section of arms length should be clarified.

Dr. EATON: I shall be very pleased to refer this to the Minister.

Hon. Mr. DAVIES: As I understand it, clause 23 refers only to where property is being transferred without any money passing between the parties. Is that correct?

Hon. Mr. HAYDEN: No. May I explain that?

The CHAIRMAN: Yes.

Hon. Mr. HAYDEN: For instance, you might have an arrangement under which you might be entitled to receive some income, and you direct the person to pay it to someone else, perhaps your son, your daughter, or your grandson. That is still considered your income under this section.

Hon. Mr. DAVIES: Yes, but the point I am trying to get clear is this: Is it not quite proper to carry on legitimate transactions with blood relations?

Hon. Mr. HAYDEN: Oh yes.

Hon. Mr. HAIG: But you have to show that you are dealing at arms length.

Hon. Mr. DAVIES: What do you mean by "arm's length"?

Hon. Mr. HAIG: "Arms length" is interpreted in the law.

Hon. Mr. DAVIES: But if there is a fair price passes between two persons, what difference does it make?

Hon. Mr. HAYDEN: That is perfectly all right.

Hon. Mr. HAIG: That would be for the court to decide whether or not it is at arms length when the facts are placed before it. The court would say what arms length means. It means that the relationship between two persons are equal, and that neither has an advantage or a control over the other.

Hon. Mr. HAYDEN: That is correct.

Hon. Mr. McKEEN: In a corporation what is regarded as "control"?

Hon. Mr. HAYDEN: Over fifty per cent.

Hon. Mr. McKEEN: But it was changed, I thought, to seventy per cent.

Hon. Mr. HAYDEN: That is where a corporation claims the ten per cent rate on its first \$10,000 of profits.

Hon. Mr. McKEEN: Then there is no change by this section; it is still over fifty per cent?

Dr. EATON: It is not stated. I presume it would be a matter for the court to decide what constitutes control.

Hon. Mr. HAYDEN: The Companies Act says that a controlled company is one of which more than fifty per cent of the stock is held by another company.