Mr. ILSLEY: Did C take the property on the deaths of B and A, and do nothing about it? That is, did he file no statements?

Mr. MacNICOL: Yes. First, A died, and no statement was filed after his death. Then, no statement was filed until a couple of years after B's death.

Mr. ILSLEY: Yes; he would be subject to penalty. He would have to file a statement in those circumstances.

Mr. MACDONALD (Brantford City): Surely the measure is not retroactive?

Mr. ILSLEY: Oh, no; the hon. member was stating a hypothetical case.

Mr. MacNICOL: They would be subject to penalty?

Mr. ILSLEY: Yes.

Section agreed to.

The CHAIRMAN: It was the understanding that we would return to a discussion of some sections which had not been passed, the first of which was section 7.

On section 7—Exemptions.

Mr. ILSLEY: The hon. member for St. John-Albert (Mr. Hazen) suggested that some provision should be made for merchant seamen, and there was also some discussion in the committee about making provision for those who are in the forces.

Mr. SLAGHT: Paragraph (d) deals with charitable gifts, and it is stated that the exemption shall apply:

(d) where the successor is a charitable organization in Canada operated exclusively as such and not for the benefit, gain or profit of any person, member or shareholder thereof.

If a man left a million dollars to an organization of that kind, that amount would be exempt from taxation. The minister has indicated that he construes "charitable organization" to mean religious, charitable and educational institutions. I suggest that there should be added to this paragraph a restrictive provision which would exempt a charitable, religious or educational institution only if it carried on its work wholly within Canada, or only to the extent to which it carried on its work in Canada.

For example, a man might leave a large bequest to the foreign mission society of his church. This society might make all its expenditures in India, China or Timbuctoo in an endeavour to proselytize the disciples of Confucius or the followers of other religions in order to bring them within the fold of the religion which the testator thought was the only sure road to the place beyond. Why should a million dollars spent in China, even for a good purpose, be exempt from duty, when money left by a Canadian farmer to his relatives must pay full duty?

I think we should follow the Ontario act which makes provision for such institutions and add the words "and which carries on its work solely in Canada," or adopt the further refinement of the Ontario act and say, "only with respect to such proportion of the bequest as the proportion of money spent for carrying on work in Canada equals." I can see no reason why we should let escape from the payment of duty any large sum of money, or even a small sum, sent out of Canada for purposes with which at least the majority of the people of Canada are not in accord, and still tax the bequests of smaller estates.

Mr. POULIOT: I appreciate this definition of "charitable organization" as being one:

(d) where the successor is a charitable organization in Canada operated exclusively as such and not for the benefit, gain or profit of any person, member or shareholder thereof.

That is my understanding of a charitable organization, but I hope it includes orphanages and hospitals.

Mr. ILSLEY: It includes hospitals which are not operated for profit, and orphanages.

Mr. MACDONALD (Brantford City): With all due respect to the hon. member for Parry Sound (Mr. Slaght), I am of opinion that we should not limit these exemptions in the way he has suggested. We all believe in home missions, but I think we must have consideration for those beyond the boundaries of our country who have not heard the gospel. If I remember correctly, we are exhorted to preach the gospel to all nations, and I do not think we should discourage foreign missions. The world is a great deal smaller to-day than it was two thousand years ago, and it is all the more necessary that the faith in which we believe should be preached to those parts beyond the seas. The foreign missions of our churches are administered from the home country, and I feel that the wording of this paragraph should stand as it is.

Mr. SLAGHT: My suggestion was not intended to discourage gentlemen who wish to indulge in the spending of money in foreign countries for missionary purposes. I only ask that they contemplate helping to pay part of the taxation of this country and not be specially favoured when they leave money to such institutions which spend it entirely outside Canada by having the bequest exempted from taxation when the ordinary citizen has to pay.