Northwest Territories, and that the corporation rate reductions will not apply to non-resident owned investment corporations or to certain Crown companies.

Honourable senators, in this brief review I have dealt with the more important of the amendments which are proposed to be made to the Income Tax Act this year.

Hon. John J. Connolly (Ottawa West): Honourable senators, I shall not detain the house long in respect of this bill.

First of all, this is obviously a taxing statute, and the question as to whether or not we have any power of amendment is perhaps something that we must consider when we look at the bill, both here and in committee. In passing, however, may I say that there have been years in which the Senate has made amendments to the Income Tax Act, amendments which I submit were good, valid, useful amendments, amendments which have been accepted in the other place. We do not make these amendments simply to make amendments, or to be critical, but rather to have the wording of a taxing statute as crystal clear as it possibly can be. Therefore I think we are justified, looking at a statute which is so obviously a taxing statute —one which affects the revenues of the country—in making any suitable amendments. We would be doing less than our duty if we did not do so.

I do not propose to discuss many of the details of the bill. We are grateful to the senator from Winnipeg South (Hon. Mr. Thorvaldson) for the review he has made, particularly grateful for the fact that he confined himself to the general principles embodied in these amendments, rather than take us through the long pages of the detailed amendments which the bill carries.

I think it is a very helpful thing that medical expenses incurred by or on behalf of a husband or wife, or on behalf of a dependent, should not have a ceiling upon them. When heavy medical expense occurs it is a great tragedy for a family, and I think it will be a source of great relief in cases like that to know that some of the expenditure that is made in that category is not taxable. From now on, anything above the 3 per cent floor will not be taxable, as I understand the amendment.

I am also interested, as I am sure all honourable senators who were on the Manpower and Employment Committee or who have read the report of the committee are interested, to see early action to deal with one of the phases of that report, namely, the phase which recommends that expenditures incurred for research should be given preference treatment—should be given better treatment than heretofore prevailed in respect of research. That applies also, under these amendments, as the honourable senator said, to non-profit companies engaged exclusively, I should gather, in research. This would mean that these companies would not have any income tax at all to pay.

The lump payments to non-residents is a matter I do not propose to discuss in any detail. I would gather that these payments are now to be taxable in Canada in the normal way, regardless of the residence rule. I think the general rule is that if a person lives in Canada 187 days in a year he is taxable in Canada. This new provision seems to apply to a situation in which a tax attaches to a lump payment whether the recipient resided 187 days in Canada or not but where the other conditions mentioned by the sponsor of the bill (Hon. Mr. Thorvaldson) apply. I am just wondering, however, what the situation will be in the cases of those people who establish residence, let us say, as he suggested, in Florida and who live there for a period long enough to have any income they receive attract the American tax. Will they find they are also being taxed at the normal rates in Canada? This is not a matter I think we need deal with in the chamber. I hope I am expressing the matter in a clear enough way. I would think that in committee we might ask some questions on the point.

On the amendment which deals with exploration and drilling costs, I think the simplest way is to say that it is a good amendment. Heretofore it was the company which enjoyed the benefits of the exemption both for exploration and drilling costs and for pre-production expenses. Now it is the operations, regardless of the kind of company conducting these operations, which will enjoy the exemption. In other words, heretofore, unless a company was specifically incorporated for the purpose of exploration and drilling, it could not get the advantage of these expenditures. From now on whether or not a company has as one of its objects, or as its main object, the power to explore and drill, if it undertakes this work it will be entitled to the exemption.

Likewise, too, in connection with pre-production expenses, as I understand the honourable senator—and I have not read the amendment—these pre-production expenses will be available in the cases where they are incurred by the parent company. No longer will they be available to the subsidiary company only. I think this is a fair kind of amendment, because generally speaking it is the operation known as exploration and drilling and the incurring of pre-production