

been postponed once we should now go ahead, and if we reached any part of the bill upon which we wished to have the Minister's own explanation we could hold up that part until a later date when it is convenient for him to be here.

The CHAIRMAN: Have you any amendment to suggest to section 1 of the bill, Dr. Eaton?

Dr. EATON: No.

Hon. Mr. HAIG: What does the section mean?

Dr. EATON: Clause 1 has three subclauses. Subclause (1) adds an amendment relating to death benefits. It is really a cross reference. In the past death benefits have been regarded as taxable. This clarifies the law and gives certainty to it. The amendment also gives relief from the full taxation of death benefits, which benefits are in consideration of services of an employee before his decease.

Hon. Mr. HAIG: Let me put a question to you. Suppose a man was working for the Anthes Foundry Company and died. The company gives \$400 as a death benefit, which is used to pay the funeral expenses. Would that be considered part of his estate or not?

Dr. EATON: It is taxable income of the person who receives it, with an exemption up to the amount of three months of the deceased employee's salary. This in effect gives relief to the extent of three months of salary.

Hon. Mr. HAIG: That does not answer my question. While the man was working the company did not make any deduction from his salary, but put aside certain amounts, totalling \$400, and upon his death the company paid the \$400 towards his funeral expenses. Is that considered part of his income?

Dr. EATON: That is considered income of the person who receives it.

Hon. Mr. HAIG: The undertaker receives it.

Hon. Mr. HAYDEN: The estate would constructively receive it.

Hon. Mr. EULER: But the estate is not an employee. The estate would not be getting any salary, and the exemption is only to the person earning a salary.

Dr. EATON: The exemption is equal to three months' salary of the deceased employee.

Hon. Mr. FOGO: It is defined in clause 43 of the bill.

Hon. Mr. HAYDEN: As I understand it, if there was any benefit being passed by an employer to a widow or some other person connected with the deceased employee, in recognition of his services—

Dr. EATON: That is the important part.

Hon. Mr. HAYDEN: —then, under the law as it now stands, that would be income taxable in the hands of the person who received it.

Dr. EATON: Correct.

Hon. Mr. HAYDEN: And this amendment says that to the extent of an amount equal to the deceased employee's remuneration for ninety days or three months, the money that passes is exempt from taxation.

Dr. EATON: Yes.

Hon. Mr. HAIG: All right, I understand it.

The CHAIRMAN: Are there any further questions on section 1?

Some Hon. SENATORS carried.

Hon. Mr. HAYDEN: There is subsection 2 to section 1, which is a different subject matter. It has to do with a profit sharing plan.