

On section 21—Charitable Organizations.

Dr. EATON: I have here an amendment which the Minister has requested.

Hon. Mr. HAIG: Please tell us first what the amendment intends to do, and we shall be able to follow it better.

Dr. EATON: Very well, sir. Following the passage of the bill in the House of Commons we have had representations of two sorts from charitable foundations. The first was that a charitable trust was in fact disbursing funds and not itself carrying on charitable activities. The bill as passed by the House of Commons deals only with charitable corporations. An amendment is introduced here to take care of charitable trusts in the same manner and under the same conditions as charitable corporations.

The second amendment arose through the fact that charitable corporations, so called, or foundations, already provided for in paragraph (eb) not only made gifts of their funds, but themselves also carried on charitable activities. The amendment as passed by the House of Commons provided that they had to make gifts of ninety per cent of their income. An amendment is here proposed to the effect that either they spend the money themselves on actual charitable activities, or give away up to ninety per cent of their income. Under those circumstances they are home free.

The amendments, Mr. Chairman, are as follows:

That subclause (1) of clause 21 be amended by deleting the words (within the meaning of that expression as used in subsection (1A) of section 27) in paragraph (eb),

by deleting sub-paragraph (iii) of paragraph (eb) and substituting the following therefor:

(iii) 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 except 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.

by adding the following paragraph within the quotation marks,

- (ec) a trust all the property of which is held absolutely in trust exclusively for charitable purposes, that has not, since June 1, 1950, acquired control of any 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) made gifts, the aggregates of which is not less than 90 per cent of its income for the period, to organizations in Canada or corporations resident in Canada the incomes of which for the period are exempt from tax under this Part by virtue of paragraph (ea) or (eb).

and that subclause 3 of Clause 21 be deleted and the following substituted therefor:

- (3) For the purpose of paragraph (eb) or (ec) of subsection one