

under the Income Tax Act as it stood before the amendments in June of this year, were 19 per cent abatement in individual income tax for the year 1965, and 20 per cent for 1966. Under the amendments to the Income Tax Act we increased the 1965 abatement rate by 2 per cent to 21 per cent, and the 1966 rate from 20 to 24 per cent. This represents a deduction which an individual resident in a province on the last day of the taxation year may make from tax otherwise payable by him on the basis that his income was earned in the province in which he was residing on that date.

You might ask, why is this abatement provision repeated in this bill, because we have already enacted it into law under the provisions of the Income Tax Act? The reason is, if you will recall, in the income tax amendments which were before us there was a provision in the original draft and, I think, as it was first introduced in the Commons, dealing with the additional abatement which was being provided for the Province of Quebec in lieu of the payments under the Youth Allowances Act for the years 1965 and 1966. Because of the complications and because of suggestions of doubtful constitutionality at that time those provisions were eliminated from the income tax bill, and when the bill came to us they were not in it.

Under section 7 of the bill before us, headed "Income tax Act", you will see that the abatement provisions contained in the income tax amendments of this year are repeated. However, there is the additional provision which provides in paragraph (iv) a 21 per cent basic rate,

...or in the case of an individual who resided on the last day of the 1965 taxation year in a province that was in that taxation year a province providing schooling allowances within the meaning—

Hon. Mr. McCutcheon: Surely not schooling allowances?

Hon. Mr. Hayden: Yes.

...within the meaning of the Youth Allowances Act, 24 per cent of the basic tax, in respect of the 1965 taxation year...

So there is the provision for 21 per cent of the basic tax, and in the case of an individual residing in a province that was providing these schooling allowances at that time, the basic rate is 24 per cent for 1965. Then the same language is repeated in paragraph (v), with the basic rate for the year 1966, in those circumstances, of 27 per cent.

The only thing I want to add is that in the bill the principle applicable to this extra allowance of abatement for a province which has its own youth allowances plan in opera-

tion for children in the age group 16 and 17 is that a 3 per cent abatement of individual tax otherwise payable is allowed to the individuals residing in that province—

Hon. Mr. McCutcheon: Three percentage points.

Hon. Mr. Hayden: Yes, three percentage points—increasing in 1965 the rate of abatement from 21 to 24 per cent, and in 1966 from 24 to 27 per cent. The method to be applied in the administration of this is that the 3 per cent will be allowed to each individual filing, that is, an extra 3 per cent in each case. If the amount of abatement that is so provided is in excess of what is expended in the particular province that has its own youth allowances plan, then there is provision for rebate. If the plan as operating in that province exceeds in cost this extra 3 per cent, then the federal authority will provide up to the maximum of the plan, that is, \$10 per month for every child in that age group attending school. If that \$10 per month per child in that age group exceeds the 3 per cent, there will be an additional contribution up to the amount that \$10 multiplied by the school population in that age group in that particular province will produce. That is applying strictly the principle to be applied in every other province. That is the basis on which the federal authority pays \$10 per month per child in that school age group of 16 and 17.

Hon. Mr. Brooks: But they must be attending school?

Hon. Mr. Hayden: Yes. Now I should like to deal with the increase in the share of estate tax. This bill proposes an increase of 25 per cent in the rate of abatement. You know that for some years now the rate of abatement by the federal authority in relation to estate tax leviable upon estates has been 50 per cent. That will be increased under this bill by another 25 per cent, to a total of 75 per cent abatement. But as an abatement it is not uniform in that it differs in its application in different provinces. There are three provinces which have succession duty acts. When the 50 per cent abatement came into force the provinces of Ontario and Quebec did not increase their rates so as to take the extra 50 per cent. So that what the federal authority does when a return is filed for estate tax purposes is to calculate the full estate tax at 100 per cent of the tax and then there is a 50 per cent reduction as a credit.

British Columbia has increased its own rates by the amount of the 75 per cent abatement, so that the 25 per cent increase in the abatement of estate tax requires no "pay-out" by the federal authority. In other words, only