how the scheme is working, and provision can be made for correction of the contributions either of the government or of the employees. With the tremendous amount of estimating that has to be done in a thing of this kind, it is not possible to bring it to a strict actuarial basis, and the committee have felt satisfied that anything that may occur that would be irregular and away from the fifty-fifty basis, being shown each year in the statement that was presented to the House, could be corrected.

Mr. CHEVRIER: I do not think there is any question about the government not extending the liability under section 11 (e). That is simply to provide the basis for the computation of instalments of contributions provided under section 17, subsection 2.

Sir HENRY DRAYTON: That is another point entirely; that is the contributions of those who are paying. I am speaking of what the minister was speaking of, the contributions by the government.

Section agreed to.

On section 13—Income tax returns.

Sir HENRY DRAYTON: What is the effect of this? I suppose it is that the civil servant may deduct the amount from his salary. Has the minister considered applying that privilege to the ratepayer? An annuity is a form of insurance, that and nothing else. The premium may be paid for insurance payable on death, or at any given period. The principle here is that there should be no income tax on the moneys which are paid for protection. Is there any distinction in principle between this and the position of the general ratepayer? It perhaps should be considered some time.

Mr. ROBB: There is very much in what my hon. friend has said. He has had demands of this nature presented to him, as I have had, and has been just as procrastinating as I have been, but I am bound to say it is deserving of consideration.

Sir HENRY DRAYTON: My hon. friend is here giving in to it in part and admitting the principle. That is something I never did. If ever I admitted the principle for one, I would admit it for everybody. I do not think there should be any favoured classes under income tax laws or any laws. I am not objecting to this at all, because as a matter of fact it does not amount to anything here; it is so small I do not suppose anything

[Mr. Malcolm.]

turns on it either one way or the other; but that is not the point. There ought to be some rhyme, reason and principle in connection with Dominion legislation.

Mr. MALCOLM: This clause is simply bringing the bill into conformity with the Income Tax Act, which has a similar provision.

Sir HENRY DRAYTON: This is the first I have heard of it.

Mr. MALCOLM: Any contribution to a pension fund is deductible, I believe, by the Income Tax Act.

Sir HENRY DRAYTON: We have had application upon application from insurance companies and the like. There is no difference whatever between a pension fund or annuity and the position of the ratepayer who cannot get anything special for himself. He has to take a twenty or thirty pay life policy as the case may be. Does the hon. member seriously say that those payments are not taxable?

Mr. MALCOLM: Payments of annuities are taxable.

Sir HENRY DRAYTON: Of course they are.

Mr. CALDWELL: What is this but an annuity.

Mr. CHURCH: Could not the minister consider some more modern method of funding this superannuation fund than mixing it up with the consolidated revenue fund?

The CHAIRMAN: The hon. member is dealing with the wrong section.

Mr. CHURCH: It should be funded otherwise than through the consolidated revenue fund.

The CHAIRMAN: The section to which my hon. friend refers has been passed. We are dealing with income tax return now.

Mr. CHURCH: We are on clause 12.

The CHAIRMAN: No we are not, we are on clause 13.

Mr. ROBB: There is something in what my hon. friend says I will have it looked into.

Section agreed to.

On section 15—Application of part two.

Sir HENRY DRAYTON: What is the significance of the application clause there?

Mr. MALCOLM: The bill is divided into parts. The part we have just finished with applies to new entrants. Part II is to