

or their families. So you would make a special provision for them, and so on, and you would go on revising the law. I think we all admit that these are admirable and fair provisions, and that by inserting them in the law we are getting nearer and nearer to justice. At the same time we are getting farther and farther away from simplicity.

The examples that I have given only relate to personal income tax; but in the field of corporation income tax there are even more complicated and difficult situations for which you have to put into your law special and even very intricate provisions. So I think we must make up our minds that we cannot have an income tax law which is at once simple and just, and that the best we can hope for is clarity. I think it will be generally agreed that clarity has been achieved in this bill. I feel it is not too much to say that the Act, in its present form, is a mess. The bill contains a complete and logical re-arrangement of the Act, and will at least make it much easier hereafter to find particular sections of the law to which reference is desired.

Now may I for a few moments refer to the bill itself? It is divided into seven parts. The first and by far the longest part, comprising sections 1 to 95, deals with the income tax itself; Part II, comprising sections 96 to 99, deals with the tax on non-residents; Part III, comprising sections 100 to 104, deals with the gift tax; Part IV, comprising sections 105 to 124, deals with administration and enforcement; Part V, being sections 125 and 126, contains special provisions regarding tax evasion; Part VI is the interpretation section, which has been moved from the beginning of the Act to section 127; and in Part VII, sections 128 to 131, there are certain so-called transitional provisions.

Part I, relating to the income tax itself, is subdivided into ten divisions, A to J, inclusive. Division A is the base from which the whole Act begins. That states, without qualification or equivocation, the liability for tax:

An income tax shall be paid as hereinafter required upon the taxable income for each taxation year of every person resident in Canada at any time in the year.

In the interpretation section the words "resident in Canada" are defined as meaning "ordinarily resident in Canada"; and section 35 provides that an individual who is ordinarily resident in Canada for only part of a year may deduct from the tax otherwise payable the same proportion as the part of the year, during which he resided outside Canada, bears to the whole year.

Hon. Mr. DAVIES: Provided, I take it, that he is liable for tax in another country.

Hon. Mr. HUGESSEN: His liability for tax in Canada extends only to the portion of the year that he is normally resident here.

Division B, which runs from sections 3 to 24, contains the rules for computation of income. The taxpayer is required to compute his annual income, and these sections state what must be included as income, what need not be included, what things are allowable as deductions from income and what are not allowable.

Then in division C, sections 25 to 29, there are the provisions for computation of taxable income. In this division are set out the various exemptions allowable: such as, for instance, the statutory exemption of \$1,500 for a married man or \$750 for a single man; the exemptions for charitable donations, unusual medical expenses, business losses, and so on. By making the permissible deductions from his annual income the taxpayer arrives at his taxable income.

Division D, consisting of section 30 only, applies to the taxable income earned in Canada by non-residents.

Division E, sections 31 to 39, contains rules for computation of the tax. Here are set out the rates of tax payable by individuals and by corporations; and the provisions applicable to, among other things, investment income, retirement allowances, deductions for provincial income tax and for foreign income tax. And in section 39 are complicated special provisions allowing farmers and fishermen to average their income over a five-year period.

Division F relates to the mechanics of tax collection. This division, comprising sections 40 to 56, deals with returns, assessments, payment and appeals.

Division G, which consists of section 57 alone, enumerates the individuals and corporations entirely exempt from income tax. The list of those exempted begins with the Governor General of Canada and includes municipal corporations, mutual insurance companies, co-operatives, credit unions and the like.

The title of division H is "Exceptional cases and special rules." A few moments ago I referred to the necessity of having a complicated income tax law in our present economic structure, and division H strikingly exemplifies the truth of that observation. The division contains sections 58 to 75. Among the matters dealt with are trusts and estates, personal corporations, investment companies, non-resident-owned investment corporations, patronage dividends, superannuation funds, superannuation or pension benefits, annuities, special provisions in favour of authors and artists, oil and gas wells, mining companies, and consolidated corporation tax returns by companies and their