

*Income Tax Act*

charitable foundations. A charitable foundation today can make its gifts only to the charitable organizations described in clause (ea) of section 21, which are full-time charitable organizations not in the form of foundations—and this would include the Red Cross, the Salvation Army, cancer and other medical institutes, and other organizations of the kind. Or, within the amendment today, if the foundation itself has a charity which is approved by the Department of National Revenue as coming within that section, they may spend money on their own charity. But they will not be allowed to pass money back and forth between so-called charitable foundations and trusts, and thus attempt to evade the spirit of the section.

**Mr. Smith (Calgary West):** What I am going to suggest may not follow—and it may be that I have not read the amendments carefully enough—but let us assume that we have an organization already in existence. The parliamentary assistant to the minister says that these things may come from another country. One organization I have in mind was advised by a firm of lawyers carrying on business in New York. Suppose this organization, in using up its ninety per cent, said: "We are making a gift to enlighten the people about Seretse Khama, of Africa"; what would be the position there? I am referring of course to the African who married the white woman. Where is the judgment to be used in determining the bona fides of these gifts? Has the legislation gone so far as to name individual charities to which such gifts may properly be made?

Charity begins at home. Let us suppose someone makes a gift to a so-called charity in some other country, where we have no means of examining into its bona fides. It seems to me the statute might be evaded in circumstances of that kind, unless there is some specific provision against it.

**Mr. Sinclair:** That is true. We already have such protection due to the fact that we now give up to a ten per cent tax exemption to an individual and up to a five per cent exemption to a corporation for approved charitable contributions. These charities are approved as genuine charitable organizations within the meaning of clause (ea) of the present section 21 by the taxation officials of the Department of National Revenue. There must be also a receipt from such charities as are within the meaning of the act, and the taxpayers are thus entitled to the prescribed exemptions. It will be recalled, for example, that four or five days ago the Acting Minister of National Revenue said that Manitoba flood donations would be regarded by his department as charitable

[Mr. Sinclair.]

donations within the meaning of the act, and so can be claimed as exemptions up to the limits prescribed. All we are doing is to apply the same principle to moneys which foundations might wish to use in respect of their own specific charities. It will be determined in the same way by the Department of National Revenue, which already has experience in classifying our present charitable organizations, and naturally is anxious to secure as much in the way of taxation as possible, which it cannot do if it gives indiscriminate approval to doubtful charities. They have to be bona fide charities before the department will accept income deductions claimed because of such donations.

Motion agreed to, amendments read the second time and concurred in.

**PRAIRIE FARM ASSISTANCE ACT**

AMENDMENT TO EXCLUDE CERTAIN AREAS, ETC.

**Right Hon. J. G. Gardiner (Minister of Agriculture)** moved that the house go into committee to consider Bill No. 209, to amend the Prairie Farm Assistance Act, 1939.

**Mr. Ross (Souris):** Will the minister make a statement?

**Mr. Speaker:** I understand the bill is being reported from a committee.

**Mr. Fournier (Hull):** Yes.

**Mr. Speaker:** The motion is not debatable.

Motion agreed to and the house went into committee, Mr. Dion in the chair.

On section 1—*No award.*

**Mr. Ross (Souris):** Mr. Chairman, I was unavoidably absent when the amendment was discussed before, because at that time I was attending committee meetings. Therefore I should like at this time to make a few remarks.

As I followed the discussion before the bill was sent to committee, I understood the general agreement to be that the act should no longer apply to submarginal lands. I believe that was the general agreement. It was pointed out by some that P.F.A.A. funds were really working against the splendid work being done under the Prairie Farm Rehabilitation Act, and it was agreed that that should not continue.

I should like at this time to put on record a return I received on March 16, although it was recorded in committee. It is as follows:

**Question:**

1. Under the Prairie Farm Assistance Act, 1939, to date, what amount of money has been deducted from sale of grain at one per cent, and paid into fund by the producers within the provinces of (a) Manitoba; (b) Saskatchewan; (c) Alberta?