

of a married man with two children. Therefore he would be entitled to a deduction of \$366, which would leave a remainder of \$1,439, under the schedule on page 3 of the bill.

Mr. ILSLEY: Has the hon. gentleman subtracted \$660 from the income?

Mr. McNIVEN: Rule 1 reads:

For the purposes of this section, the income of every person, except trustees or other like persons acting in a fiduciary capacity, shall be subject to a deduction of \$660.

The rule then goes on to consider incomes of various amounts, which would lead one to believe that they were exclusive of the \$660. I am just curious to know if there has been a revamping of the schedules as originally presented by the minister in his budget speech on June 23, and if the tables as presented in that speech accurately reflect the rates contained on page 3 of the present bill.

Mr. ILSLEY: The point raised by the hon. gentleman is one of draftsmanship; there has been no change. The procedure is to apply rule 1 and then apply rule 2. This means that the \$660 comes off and then rule 2 is applied to the remainder. If that is done, the results will be exactly as stated on *Hansard*. I do not think the hon. gentleman has taken off the \$660 before applying rule 2.

Mr. McNIVEN: I did when dealing with the schedule on page 3 of the bill, but I am not certain that it was done in the minister's table which appears on page 3583 of *Hansard*. That is, the \$4,000 income referred to on page 3583 of *Hansard* might really mean a gross income of \$4,660.

Mr. ILSLEY: So far as the statements made in the budget are concerned, the annual income in the left-hand column did not mean, after the deduction of \$660, it included the \$660.

Mr. NEILL: Should not that section, line 33, read: "On the first \$500 of taxable income"?

Mr. ILSLEY: This is the theory of this drafting. Look at rule 1:

For the purposes of this section, the income of every person, except trustees or other like persons acting in a fiduciary capacity, shall be subject to a deduction of \$660.

The draftsman thought he was saying, "For the purposes of this section the income shall be deemed to be the income less \$660—in excess of \$660". That is the way it will be interpreted, as far as that goes.

Mr. NEILL: Well, that is why I suggested it should be \$500 taxable income.

Mr. ILSLEY: To make a change here, unless we are sure, is just as dangerous as can be. It is that kind of changing which has been going on for weeks and has to stop at some time, but if it is clear that the change should be made it certainly ought to be made. But that is the theory of the drafting of these rules, that really the rule defines income as being the income less \$660 for the purpose of these rules. For the purpose of this section of the rules, section 2, income shall be taken to be income subject to a deduction of \$660.

Mr. NEILL: Yes, but it requires the language of the minister to make it clear, whereas the inclusion of the word "taxable" would require one word instead of a number of words.

Mr. STIRLING: May I point out that earlier the minister said that rule 1 must be applied before rule 2. If you apply rule 1 you will arrive at a certain figure of income; on that you will apply rule 2.

Mr. ILSLEY: Yes. That comes to the same end as the other.

Section agreed to.

Section 2 agreed to.

On section 3—Superannuation or pension fund payments.

Mr. ILSLEY: At the very end of that section is a subsection providing for the taxation of royalty companies, and the hon. member for Calgary East has suggested that there should be words making it clear that the trustee shall have the right to deduct the taxes which he must pay the government of Canada from the royalty owners. Therefore the following amendment has been prepared:

That subsection 3 of section 3 of the Income War Tax Act as contained in subsection 3 of section 3 of this bill be amended by adding thereto the following:

and any taxes paid by the trustee under this act or the Excess Profits Tax Act, 1940, may be charged by the trustee rateably to those persons having such interest in such proceeds and deducted from the amounts due them by him.

Mr. GIBSON: I so move.

Amendment agreed to.

Section as amended agreed to.

Section 4 agreed to.

On section 5—Deductions for superannuation or pension fund.

Mr. FRASER (Peterborough West): As regards superannuation and pension funds, in the bill as it was originally, it was stated to be in regard to pensions not repayable during