

ter in the Estimates and rely upon what we can do for ourselves!

Sir THOMAS WHITE: In answer to my hon. friend (Mr. Lemieux) I think the principle of an allowance for each child is sound. We have recognized that principle by an effective allowance of \$200. I would call the attention of the Committee, however, to the fact that under our income tax legislation there is already an exemption of \$2,000 in the case of married people or of widowers or widows having dependent children. I have thought the matter over somewhat, and will consider increasing the age from sixteen to eighteen years so that the \$200 allowance will be made in respect of children up to and including those of eighteen years of age. That will be an extension, and at the same time it will not seriously affect our revenue—after all, this is intended to be a revenue-producing Bill.

Resolution agreed to.

4. That in lieu of the provisions of paragraph (d) of subsection one of section three of The Income War Tax Act, 1917, it be enacted that dividends received by or credited to shareholders of a corporation which is liable to taxation under the provisions of the said Act shall not be liable to normal tax in the hands of the shareholders but shall be liable to the supertax and surtax provisions of the said Act and to the surtax provisions of these resolutions. The amount of the exemption from normal tax to the shareholders shall not exceed the net amount of such dividends after the deduction of the interest or carrying charges, if any, in respect of such dividends. Provided, however,

(a) that in determining the income no deduction shall be allowed in respect of personal and living expenses, and in cases in which personal and living expenses form part of the profit, gain or remuneration of the taxpayer, the same shall be assessed as income for the purposes of this Act;

(b) that deficit or losses sustained in transactions entered into for profit but not connected with the chief business, trade, profession or occupation of the taxpayer may not be deducted from income derived from the chief business, trade, profession or occupation of the taxpayer in determining his taxable income.

Mr. CAHILL: Does paragraph (a) apply to farmers?

Sir THOMAS WHITE: Yes, it always has so applied. When the Income Tax Bill was before the House in 1917, it was provided that the net income should be assessed, and that all incomes should be taken into account and that no deductions should be made for living expenses. The Bill went from this House to the Senate, who tried their hand by way of an amendment, which, as a matter of constitutional practice, they had no right to do. They inserted a provision which was intended to make clear

that there should be no exemption by reason of living expenses, but they worded it in an ambiguous manner. For example, take the house of a bank manager or other cases that will occur to the Committee. The Senate amended the Bill by putting in this provision:

Provided, however, that in determining the income, the personal and living expenses shall not be taken into consideration.

That language is equivocal. The Senate, no doubt, intended to make it clear that if a man got his living in addition to a certain income or had any allowance by way of a house, his net income should be determined by the addition to the amount of money he received of a fair amount in respect of the other advantage that he got. But unfortunately the wording is such as to lend itself to another interpretation. Therefore, it has been put forward that a man who has his living expenses or an allowance by way of a house in addition to his salary should be assessed for income in respect of that advantage which he has in getting his living or in occupying his house. The department, in interpreting and administering the Act, takes the view that was taken by the House of Commons and that was undoubtedly meant by the Senate. This provision is to make it perfectly clear that, if a man gets his living expenses in addition to a money income, the two shall be taken together for the purpose of computing the income upon which he should be assessed.

Mr. J. H. SINCLAIR: This section provides that a shareholder of a corporation shall not be liable to normal tax provided the tax is paid by the corporation. I understand it is also provided that he shall be liable to the supertax. Is there a change in the law in this respect?

Sir THOMAS WHITE: There is no change in this respect. My hon. friend is aware that we tax the corporation in respect of its net income, and we have increased that to ten per cent. The dividends a man receives into his hands are not liable to assessment in respect of the normal tax. The principle of the law is not changed, although we have increased the normal tax to eight per cent in respect of incomes over \$6,000. The supertax applies to dividends in the hands of shareholders, and that is a sound policy. Let me explain a little further in regard to this section, because I think that would be helpful to the Committee in considering it. The section reads in part: