

position under the present arrangement than he would have been had the exemption remained at \$300. I should like to have the minister's explanation because this is rather confusing to me.

Mr. ILSLEY: I do not know that I understand the question. It is true that there has been an exemption for a married man, or a single man under certain household or other conditions, of \$1,500, and now the provision is that the tax shall not reduce his income below \$1,200. If the hon. gentleman will put his difficulty again, I shall try to follow it more closely.

Mr. GRAYDON: My problem is this. Under the previous taxation arrangements a man was allowed \$1,500 exemption. Now he is allowed \$660 exemption. The difference between \$1,500 and \$660 is \$840. Roughly speaking, 30 per cent of that would be somewhat less than \$300. But actually what he is allowed off the tax under the present scheme is \$150, whereas under the previous scheme he was allowed about \$290. Having regard to the point which was raised by the hon. member for Vancouver East, the present rate of tax bears rather hardly upon the man if he is keeping one or two children for whom he is not able to get the \$28 or the \$80 reduction, as the case may be, for a child who is either adopted or his own.

Mr. ILSLEY: Does it come to anything more than this, that it would be better for him if he could get a reduction in respect of children that are not his own, provided he is keeping them? Is there any more point to the objection than that?

Mr. GRAYDON: Yes, because he is really paying a good deal more; at least his exemption does not mean nearly as much to him under the present legislation as it did under the act of last year.

Mr. ILSLEY: I do not see that it has any bearing whatever on the question which has arisen about foster-children. It is a different matter altogether. It is a harsher measure, we know that, but it does not have anything to do with this other question.

Mr. GRAYDON: It has this to do, that when a man is in that income bracket—the situation is much the same with regard to officers of the army—when you are taking so much more off the married man with one or two additional children to keep, it is not an easy thing in these days to take care of one or two extra children for whom you cannot get any additional exemption. The problem becomes more acute.

Mr. ILSLEY: There is no doubt it does; the heavier the taxes, the harder it is for a taxpayer to take in and keep children for whom he cannot get any exemption.

Mr. HANSON (York-Sunbury): The exemption is based on legal liability or obligation. That is the trouble.

Mr. MARSHALL: Am I right in assuming that those who take in children from the British isles are allowed exemption under this paragraph?

Mr. ILSLEY: Some of them.

Mr. MARSHALL: It says here:

(iii) a child under eighteen years of age maintained by the taxpayer in Canada under a cooperative scheme sponsored by the governments of the United Kingdom and of Canada or any of the provinces of Canada, for children brought from the United Kingdom under a government plan, or under twenty-one years of age, and likewise maintained, upon proof that such child is a student at a secondary school, university or other educational institution.

It seems to me that this case would be more or less parallel and would come under that section.

Mr. ILSLEY: No. The committee will remember that two years ago or last year we had a hot argument about whether we should permit evacuated children generally to be treated as children for the purpose of tax reduction, and I took the ground that this should not be permitted to any greater extent than that section covers. One of the reasons I gave was that if we opened the door wide we would have to upset the practice, to change the law, that had been in force in Canada ever since the Income War Tax Act was enacted in 1917, namely, that foster-children are not treated as children for tax deduction purposes. I said that practice was very firmly established and that we would have to hold to it; that there were reasons why we should. Evidence is difficult to obtain; abuse is possible; exchanging of children is possible and all that sort of thing. I may be wrong about that, but at any rate it would be very difficult to check on the matter, and it has always been felt that the principle of the exemption is legal liability. If a person wishes to be kind-hearted and do a charitable deed, that is not sufficient ground for getting an income tax deduction. Many kind acts are done; taxpayers support relatives whose health is bad; all that kind of thing is done, and no deductions are made for that. Nothing has been more firmly established in our income tax law than the principle that only children of the taxpayer and adopted children come within the terms of the section.