

THE SENATE

Wednesday, July 13, 1966

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

INCOME TAX ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-216, to amend the Income Tax Act.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Salter A. Hayden, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, some changes have occurred in and some mutilation has been made to this bill, C-216, even since it was introduced in the Commons.

The title of this bill now is, "An Act to amend the Income Tax Act", because, as honourable senators will notice in the copies of the bill as passed by the House of Commons, certain clauses which would transfer sections now in the Canadian Vessel Construction Assistance Act to the Income Tax Act have been dropped. The reason for this, I understand, is that the industry wishes to make further representations, although I should add that any change which would have occurred by the transfer of those sections from the one statute to the other is of relatively minor importance. In any event, the industry will have its opportunity to make its representations, and in the meantime those clauses are eliminated from the bill.

The parts stricken out of the original bill are, clause 1, subclause 1 of clause 2, subclauses 3, 4, 5 and 6 of clause 3, and clause 20. Honourable senators will find clause 3 runs from pages 3 to 7 inclusive, clause 20 is on page 24, and clauses 1 and 2 are where one would expect to find them, at the beginning of the bill.

I should like to make a preliminary remark to the effect that after having read and digested this bill I do not think there is anything of very serious moment left in it, with one or two exceptions that I shall mention later. It would seem that this is a year for looking on the shelf to see what things have been tucked away for a day when certain amendments for tidying-up could be made.

In order to illustrate what I mean, let us take the question of tuition fees. I refer to clause 1(1) on page 2 of the bill. Under the law as it stands, a student may deduct tuition fees paid from what would otherwise be his income, and such a student in order to deduct such payment is not required to pay such fees himself. A practice has developed under which you have a category of student-employee and the employer pays the tuition. I am now addressing myself to the student in full-time attendance at a university outside of Canada on a course of not less than 13 weeks. When the employer pays the tuition of his student-employee he deducts it as wages or salary. Under the law as it stood, if the student availed himself of it he would also deduct from his income the tuition fee paid by the employer and not reflect in his income the amount of the payment.

All this amendment does is to say, both in relation to full-time attendance at a university outside of Canada and those in attendance at educational institutions in Canada, that where the tuition fee is more than \$25, to the extent that the employer pays and deducts, then the student-employee may deduct if he includes the amount as well in his income for that year.

This is really just a tidying-up operation. I would have thought that this might have been the case and should have happened in any event.

Hon. Mr. Connolly (Ottawa West): You cannot have it both ways.

Hon. Mr. Hayden: No. There was a double deduction as a result of this apparent poor, perhaps thoughtless, draftsmanship.

Next, I wish to remind honorable senators that last year we had a little bird of reasonably gay plumage, nice feathers, flying around and chirping notes announcing an income tax deduction of the lesser of 10 per cent or \$600. The Income Tax Act this year, under section 5 on page 9 of the bill, shoots down that bird,