

would very respectfully submit that they should not be given a greater priority than the wage earners who earned this income. If it is to be given a priority I would say that it must go in there and be coupled with the wage earners, because it is rather unreasonable to think that those who earned these wages do not get an equal priority with the funds that they never saw or received.

Hon. Mr. FOSTER: In other words, you contend that these are of equal importance with the Crown's claim for income tax?

Mr. REILLEY: Yes; there is no particular difference.

Hon. Mr. LEGER: The Crown can afford to lose it but the wage earners cannot?

Mr. REILLEY: That is quite right. I am in sympathy with that proposition.

The ACTING CHAIRMAN: Does there not appear to be a conflict between the Income War Tax provisions and this statute? It is purported to give them a priority irrespective of the provisions of the Income War Tax Act.

Hon. Mr. LEGER: There would be a conflict if legislation was enacted the way it is now drafted.

Mr. REILLEY: That is so. That is the difficulty we have had to contend with during the last number of years as between the bankruptcy administration and the war revenue department.

Hon. Mr. McGUIRE: Do you think, Mr. Reilley, that you have drawn up a plan for dealing with all priorities?

Mr. REILLEY: I have a plan for dealing with all priorities, which takes in the provinces and everybody; and I think it puts them in as general a category as can be found.

Hon. Mr. McGUIRE: They are all claiming in the right of the Crown?

Mr. REILLEY: They are all claiming in the right of the Crown. Everyone listed following page 84 are in the right of the Crown. In this new draft bill I am trying to set up a workable scheme so that the trustee can turn to his Bankruptcy Act and say, "Here is how I have to prepare my dividend sheet." A great many of my trustees are laymen, farmers and bankers located in different places. They cannot be expected to know all the intricacies involved in these different priorities. In a great many cases they communicate with me and ask what they should do. It is not really my business to instruct them, but I try to assist them. I confess, gentlemen, that at the present time I cannot instruct any trustee as to what the proper system of priority is in the dividend sheet under the Dominion and Provincial legislation as it now exists.

Hon. Mr. McGUIRE: You could do so under this proposed bill?

Mr. REILLEY: I could do so under this bill. This is a system of priorities that I think is fair. That is what is done under the Australian act. I have that act with me and I can read it to you to show how the distribution sheet is set up. The same applies to the United States. The federal and state claims are given the same precedence as they are here.

I have other comments that I could make on this, if necessary, in regard to the difficulties that are presented. For instance, in a case where a man borrowed money to pay his employees the net amount of their wages, the court held that he was presumed to have borrowed from the bank enough more to pay the Crown. That is a new proposition to me, as a lawyer. The result is that if collection is insisted on and if those funds are paid to the department, it is quite possible and almost certain that in the final analysis those deductions will have to go back to the employee. They are only deducted; they are not assessed and claimable by the Crown. And, as you know, these things sometimes stand over for years. Is a trustee going to keep an estate open for years in the expectation that certain of these funds will be turned back to the trustee? If his priority is given, those funds might be payable to some other person