

Mr. GIBSON: No, that case is not covered. The letter has correctly stated that exemption can be made for children only if they are the taxpayer's own children or children legally adopted. Expenses incurred in such a case as my hon. friend mentions could be treated only as charitable donations, and not as expenditures entitling the taxpayer to exemption for children.

Mr. HANSON (York-Sunbury): Paragraph (h) of section 1 of resolution 1 refers to:

Estates having income taxable as provided by subsections 2 and 4 of section 11 of this act; Nine per centum of the income.

To what does this refer? I have not the act before me. I have not looked this up and I was wondering just what it was. Normally estates would not pay this tax, would they?

Mr. ILSLEY: Well, there is no \$660 exemption or \$1,200 exemption. Whatever the income is, it is taxable.

Mr. HANSON (York-Sunbury): What is this section 11 of the act?

Mr. ILSLEY: The heading of the section, which consists only of section 11, is this, "Income from estates and trusts", and the marginal notes are:

Income from an estate or accumulating in trust. Trusts for unascertained person. Trusts in favour of the same beneficiaries. Accruals to date of death. Income capitalized. Accrued earnings received after death. Income capitalized, how taxed. Life beneficiaries.

It provides for taxation of estates; that is all.

Mr. HANSON (York-Sunbury): As I understand the law, when the income is received by an estate it is allocated to the beneficiaries; the trustee or the executor files a return, and the amount allocated to each beneficiary is attached to that person's income, and he pays a tax, does he not? Is there a deduction now before anything is allocated?

Mr. ILSLEY: When there are unascertained beneficiaries.

Mr. HANSON (York-Sunbury): That is what I want to know. If there are ascertained beneficiaries this does not apply, but it is taxed in the hands of the beneficiary.

Mr. MacINNIS: Would the minister elucidate a little more the answer he made to the hon. member for Camrose (Mr. Marshall)? I thought I heard him mention that the money spent on the bringing up of children that were not legally adopted was some form of charity.

Mr. GIBSON: I used the expression that it was a charitable donation. I did not mean [Mr. Marshall.]

that it was exempted, as a charitable donation, from income tax. It is treated as charitable work, private charity, which a man is carrying on which is not entitled to the exemption.

Mr. MacINNIS: If the same family put these children in an approved children's home run by a church or some such organization and made a contribution of a certain amount on a charitable basis to that home, would the family be entitled to deduct that from the income tax, or would it be a non-deductible charitable donation?

Mr. GIBSON: If they were paying the board and lodging of that child in the home it would not be an exemption, but if they were making a donation to the home for the general purposes of the upkeep of the children in the home it would be a charitable exemption.

Mr. MacINNIS: That is the very point I want to make. Why the difference? Here these people are willing to give those children a home, but on account of certain circumstances they do not want to go through the process of legal adoption, and they are not allowed any income tax deduction because of this expense. Yet if they put the children in a home where they have just institutional care and make a donation to that home to the same extent as they are paying now for the upkeep of the children, they are allowed to deduct the amount from their income tax. Surely there should be some way to meet a situation of that kind. It does not seem to me to make sense, in a civilized society.

Mr. GRAYDON: Following the line which was adopted by the hon. member for Vancouver East, may I ask this question? Is not the present tax structure in connection with the head of a household who has, for instance, one or two children of that type, more harsh in its application than it was previously? As I recall it, under the previous income tax provision there was an exemption of \$1,500 to start with. Now the householder has only \$660 by way of exemption. Let us suppose that he had two children who were not his own, who were not legally adopted, and who did not come under the government's evacuation arrangements. Previously at least \$1,500 of his income was actually exempted before any income tax was paid; now he has only \$660 as an exemption. It may be said that as a married man he has an allowance of \$150; but actually, at the rate of, say 30 per cent, the difference there would be a matter of \$300, roughly speaking, instead of \$150. Therefore it seems to me that he is in a much worse