

us his opinion, but unfortunately when you are paying taxes you are dealing with the Department of National Revenue. Is this perhaps not a point on which we could have a definition later from Dr. Eaton?

Hon. Mr. HAYDEN: I would suggest that we ask Dr. Eaton when he is giving consideration to the question of blood relationship that he also inquire as to whether or not, under the Income Tax Act, it is necessary to clarify the meaning of "controlled company".

Hon. Mr. McKEEN: That is quite satisfactory.

Hon. Mr. DAVIES: Before we go on, I am still not quite clear on this question of arms length. Suppose that a man has an adopted son to which he sells a portion of his business at a fair valuation. Does he have to go to the court and have it decide whether the transaction is at arms length?

Hon. Mr. HAIG: No.

The CHAIRMAN: Can you answer that Mr. MacLatchy?

Mr. MACLATCHY: It is of course difficult to have all the situations covered, and generally speaking the department has not looked too closely at transactions where adequate consideration has been given. I would not like to say that that section makes an exception where consideration has been given.

Hon. Mr. DAVIES: It is a pretty complicated business, as far as I am concerned.

The CHAIRMAN: Shall we hold section 9 for further consideration?

Hon. Mr. McKEEN: No, carry on.

The CHAIRMAN: Dr. Eaton will inquire into the other points.

Hon. Mr. HAIG: Inquire into them and give us further particulars. Section 9 was agreed to.

On section 10—Charitable Donations.

Dr. EATON: The Minister requests that this amendment to clause 10 be presented to you.

The CHAIRMAN: Will you read it, please?

Dr. EATON: The proposed amendment is as follows:

That paragraph (a) of subclause (1) of clause 10 be amended by deleting the words "corporations resident in Canada and exempt from tax under this Part by paragraph (eb)" and substituting the words "corporations or trusts resident in Canada and exempt from tax under this Part by paragraph (eb) or (ec).

Now paragraph (ec) is in an amendment that will be introduced under clause 21. Perhaps at this stage I should explain what has happened.

Under clause 21 an amendment provides that a corporation which does not carry on charitable activities itself may be exempt from taxation if it makes gifts up to ninety per cent of its income during the year. The law wants to make sure that it is in fact a charitable foundation, and that it does give away ninety per cent of its income for each year.

Following the passage of this amendment by the House of Commons it was learned that there are certain trusts which are not incorporated, and which in fact do give away their income in the same manner as charitable corporations or foundations; but for the setting up of this other category to deal with trusts, persons contributing to a trust would be liable for a gift tax on gifts to the charitable trust, and would not be entitled to deduct up to ten per cent of their income with respect to contributions to trusts. We therefore propose later, by an amendment to section 21, to set up a further category of charitable trusts. There will then be charitable organizations, which carry on activities, such as