

16 years of age and of \$550 for a child attaining the age of 16 before the end of the year. This relates to the support of a dependent child.

I should tell you what the present law is. The act provides that such a deduction shall be \$300 if the child is qualified for family allowance, and \$550 if he is not so qualified. The act is amended so as to cover the child or grandchild of the taxpayer, the nephew or niece of the taxpayer, and the brother or sister of the taxpayer, and the intention is to eliminate the confusion in child exemptions which arise under the present rule which is related to whether or not the child is in receipt of or is entitled to receive family allowance payment.

The purpose of this amendment is to provide a clear-cut rule for deductions for a dependent child, and to eliminate the double benefit now existing where employees of Canada serving outside Canada receive special allowances equivalent to family allowances for their children, and are also allowed to deduct \$550, instead of \$300, for these children because they are not qualified for family allowances. This has been an interpretation to which the Auditor General has called attention in several of his reports.

Those affected by this change will be members of the armed services posted outside Canada who are deemed to be residents of Canada; non-military employees of Canada serving abroad, including diplomatic and trade representatives; and members of the armed forces attached to Canadian diplomatic posts who are deemed to be residents of Canada. There is a new arrangement now whereby all civilians and military employees of Canada serving outside Canada will receive monthly payments in respect of their children equivalent to family allowances and replacing the supplementary allowance. Of the others who will be affected by this change, and where a present deduction of \$550 for a dependent child will be reduced to \$300, the largest group will consist of civil and military government employees outside Canada, and the second largest group will consist of immigrants who are claiming a deduction in respect of children in their home countries.

The additional revenue realized by this change is less than \$1 million, and does affect provincial revenues.

I come now to medical expenses, and this is a very simple provision. Clauses 6(1) and 6(2) amend section 27 of the act, and adds various

items of equipment, the cost of which is deductible as a medical expense. The items of equipment are an artificial kidney machine, and an oxygen tent or other equipment necessary to administer oxygen. There does not seem to be a need for comment on that.

So far as the payment of corporation tax by corporations is concerned I am reminded of the song about Kansas City which contained the words: "They have gone about as far as they can go." May I demonstrate how that is appropriate.

By section 13, on page 11 of the old bill and page 12 of the new bill, subsection 1 of section 50 of the act is amended. This moves back the period for payment of income tax by a corporation to coincide with the fiscal taxation year instead of commencing two months after the beginning of the year. My comment here is that this would appear to be as far as they could go, unless they are going to tax you in the previous year for what you might earn in the next year. The transition to the new payment arrangements will begin in the fiscal years of the corporations, which begin after November 1968 and before December 1969. During the transition period each corporation will begin to make payments for its fiscal year in the third month of that year but complete its payment by the end of that year, thus paying a full year's tax in ten months.

Hon. Mr. Grosart: The honourable senator might like to recall that another line in that song: "Everything is up to date in Kansas City."

Hon. Mr. Hayden: Thank you. Between the two of us we might yet go on the minstrel circuit.

Next I deal with the sale of oil and gas rights in Clause 21, which amends section 83A of the act. This is to be found on pages 35 to 38 of the old bill and pages 39 to 42 of the new bill. It provides that the proceeds of sale of oil and gas rights are to be included in income in the year of sale rather than when the proceeds are collected, and a corresponding reserve is to be allowed. The purpose is to prevent avoidance by non-residents who, while taxable at the time of disposition in Canada, may no longer be taxable in Canada at the time the proceeds are received. Section 22, subsection 1, relates to this amendment. It enables a taxpayer to deduct as a reserve amounts receivable from the proceeds of disposition of oil and gas rights which are not receivable until the end of the year.