It was provided, I think last year or possibly two years ago, that the maximum amount which might be paid into a pension plan on behalf of an individual employee was $1,500 in any one year. However, some of the group plans make it impossible to determine on whose particular personal account some or all of these moneys may be paid in. So it is felt advisable to set an aggregate maximum beyond which payments cannot be made or cannot be recognized for deduction purposes under the act. The new rule is this, that the aggregate in any year can never be more than $1,500 multiplied by the number of employees under a plan.

Sections 12 and 21 deal with a new concept in the Income Tax Act, described as supplementary unemployment benefit plans. These are usually plans which result from negotiated arrangements between employers and employees, and, perhaps I may say, are related to the idea of the guaranteed annual wage. Under it, employers pay into a fund managed by a trustee an amount of money to protect themselves against the time when people who are covered by the collective agreement and by the supplementary unemployment benefit plan will be able to receive payments in the event of unemployment. If the money is paid into a trust fund of this kind the trustee is not to be taxed with any income which is received by the fund; the amount paid in by the employer is deductible from his income as a cost of doing business, but when it is paid out to the employees under the plan it is taxable in their hands, and if a tax deduction at the source is required, then that also must be made.

Hon. Mr. Isnor: Who collects the tax from the employer who makes the return to the income tax authorities?

Hon. Mr. Connolly (Ottawa West): If there is a tax deduction on the amount that is paid out by the trustee in the event of unemployment, that deduction would be made by the trustee and remitted to the Department of National Revenue, in the same way that any employer would make the tax deduction at the source from his employee and remit it to the department.

Hon. Mr. Isnor: May I point out that if you already have the moneys in trust the employer has no further control.

Hon. Mr. Connolly (Ottawa West): That is right, the employer has no further control over the money. The employer is divested of the money; it is to be used in accordance with the plan itself and will only be disbursed by the trustee at the time the unemployment arises, and at the rate provided in the plan.

Now I deal with changes touching legislation affecting profit-sharing plans, and these are mentioned in sections 2, 3 and 20. As honourable senators know, a profit-sharing plan is different from a pension plan. The amount paid into a profit-sharing plan by an employer is a deductible expense of the employer, but it is taxed against the employees in the years in which it is paid into the fund.

The amendments provided this year are briefly as follows: Any recoveries from profit-sharing plans that are made by an employer are taxable in the year in which he might receive any of those benefits back. In the second place, it is possible for subsidiary companies to join the profit-sharing plans established by parent companies, and in this way I think the value of the plan, the solidity of the plan, might very well be strengthened considerably. In the third place, it is provided that gains, including capital gains and losses arising from the investment of funds held by a trustee under a profit sharing plan, are not to affect the employee's income or the tax thereon. In other words, if my employer paid $50 this year into a profit-sharing plan on my behalf I would be assessed with the tax on that $50 for the year in which it is paid in. If the trustee takes that $50, and perhaps thousands of other dollars, and invests the money in such a way that he makes a capital gain, the capital gain is not going to affect my tax position. My tax position is determined once the money has been paid in and I have paid my tax on that benefit, except for income earned thereon.

Under the new rules the employer can pay into a profit-sharing plan in 120 days from the end of a taxation year. Heretofore he has had to do it within 60 days.

Hon. Mr. Hackett: Is that amount payable to the family of a deceased, in the event of his death, and if so is any succession duty payable?

Hon. Mr. Connolly (Ottawa West): I think it would be an asset of the estate in the event of death. As to whether it is payable to the estate or the heirs would largely depend, I think, upon the provisions of the plan, because there is another amendment, to which I was not going to refer, but I will mention it now. Apparently there are plans under which an employee can get benefits and then may decide that he wants to drop out of the plan. Sometimes the benefits that have been built up for him in the plan cannot be withdrawn, but he has paid the tax on it. The department now proposes by a further amending section in the bill to allow him a tax credit of 15 per cent of the amount that is left in the plan which he cannot recover.

Section 24 of the bill deals with depreciation for railway tracks, railway grading and