

Hon. Mr. HARDY: Do all these sections give relief to the taxpayer?

Dr. EATON: Yes.

Hon. Mr. HAIG: Is McCool going to get his money back?

Dr. EATON: I could not say.

Hon. Mr. HAIG: He ought to, because nobody in his right senses would say that a man who has a farm and has to pay off a mortgage on it should not deduct as expenses the interest on the mortgage.

Hon. Mr. HAYDEN: But this disallowed the interest the company paid on the indebtedness to McCool.

Hon. Mr. HAIG: It is the same principle.

Hon. Mr. HAYDEN: Yes.

Hon. Mr. HAIG: The courts in Saskatoon and Winnipeg followed the McCool case. The ruling was that one who bought a farm subject to a mortgage could not deduct the interest as expenses.

Hon. Mr. FOGO: That was the Trapp case.

Hon. Mr. HAIG: It followed the McCool judgment.

Hon. Mr. DAVIES: Could a farmer not deduct the interest if he rented the farm?

Hon. Mr. HAIG: No; not unless he gave the mortgage himself.

Hon. Mr. HAYDEN: How far is it intended that this section should go in relation to the McCool case?

Dr. EATON: My understanding is that it is to correct, or to reverse, the position with respect to that decision.

Hon. Mr. FOGO: With respect to that part of the McCool case which dealt with this point.

Dr. EATON: That is right.

The CHAIRMAN: Senator Hardy, did you get an answer to your question?

Hon. Mr. HARDY: Quite satisfactory.

The CHAIRMAN: Shall section 5, subsections 1, 2 and 3 carry?

Hon. Mr. HAIG: Do they all deal with the same subject?

Dr. EATON: No. subclause 3

Hon. Mr. HAYDEN: Subclauses 2 and 3.

Dr. EATON: Subclause 2 is an amendment relating again to the profit sharing plan, and incidental to the general amendment with respect to the profit sharing plan. Subclause 3 corrects an awkwardness, or a disallowance, in the case of payment into pension funds with respect to arrears. The law has set a \$900 limit on the amount which may be paid in each year in respect of arrears. There are cases where an employee has had a sum of money paid in one lump; and this amendment allows him to pay \$900 in one year, carry the balance forward and take a further \$900 deduction the next year, rather than have the excess over \$900 disallowed in the year in which it was paid.

Hon. Mr. HAIG: Pass.

Hon. Mr. HAYDEN: It applies even in the government service when an employee is transferred to the general plan of pensions.

Hon. Mr. DAVIES: Supposing a pension plan is set up, and in order to allow elderly employees to be put on the same basis as the younger people the company pays a considerable sum of money into the fund. In those circumstances does the employee have to pay taxes on that money?

Hon. Mr. HAYDEN: No.

Dr. EATON: No, not until the pension is paid to him. Some years ago we revised our pension legislation, and made all pensions when paid out taxable,