

THE SENATE

Thursday, July 14, 1966

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

INCOME TAX ACT

BILL TO AMEND—AUTHORITY TO PRINT
COMMITTEE PROCEEDINGS

Hon. Arthur L. Beaubien, for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-216, to amend the Income Tax Act:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Beaubien (Provencher): I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Beaubien (Provencher), for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-216, to amend the Income Tax Act, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. John J. Connolly: Honourable senators, with leave of the Senate, I move that this bill be read the third time now.

Hon. M. Wallace McCutcheon: Honourable senators, before this bill is read the third time, I propose to move an amendment. The effect of that amendment, which I shall read shortly, if adopted, will be to strike out clause 9 of the bill, which is the clause dealing with stock options.

I touched on this matter when I addressed myself to the bill last evening. I want to add to what I said about this particular section and to bring some authorities to my assistance. Under the law as it stands at present, when an employee receives a stock option from his employer, on any benefit being realized—and of course there may be no benefit—he is taxed at a rate which is calculated as the average effective rate paid by him on his taxable income over the previous three years, less 20 per cent. Therefore, if he has an average effective rate of 50 per cent, he pays tax at the rate of 30 per cent; if his average rate is lower, his tax rate is lower; if his average is higher, his tax is higher.

When this was discussed in committee this morning, it was interesting to note that neither the minister, nor the deputy minister or any official could estimate what the effect of the proposed change would be on the revenue. As a matter of fact, they could not even tell us what they had collected in tax on these benefits in any recent typical year.

There was no suggestion that there had been any protest from the public about the way in which these benefits have been dealt with since 1951. No representations were made that this should be changed.

What is more significant is that the minister admitted in committee—because I was afraid I might have missed something—that in his budget speech and in the press release which he issued on the evening of March 29 when he delivered the budget, there was no reference to this provision, to this change in taxation, at all. The only place you will find it on *Hansard*—until people started to protest—is in the small print of the resolutions which, at the end of his budget speech, the minister, by consent, tabled.

Honourable senators, the only conclusion I can come to is that, for some reason, departmental officials have decided that junior, intermediate and senior executives are obtaining benefits that they themselves cannot obtain and they persuade the minister that this had better be cut down. As a matter of fact, the minister said this morning that he had not realized how extensive this practice was.

I know one large retailing organization where stock options are available down to the level of store managers.

This is a legitimate and useful incentive. After all, that executive gets no benefit unless the company prospers, and that, after all, is what the shareholders want. It is a useful