

profit sharing plans would be of greater advantage if they could be used to provide some continuity in the relationship between the employer and the employee. That is why the idea of deferred profit sharing was introduced. Many plans began to emerge in which the profit sharing was not out of current profits but amounts were set aside and were made available after a period to those employees who had remained with the company for the stipulated period. This is the first complication.

The second complication is that these deferred profits when distributed could be used to purchase shares in the company itself. This introduced complications of quite a different kind into the administration of these plans. A third complication is that they became associated with pension plans. In many cases payments were converted into annuities payable at the time of the retirement of the employee from his employment. When my predecessor Hon. Donald Fleming introduced back in 1960 and 1961 the provisions in the legislation relating to these plans he had, I believe, a rather simple idea of the scope of these plans and their administration. The legislation that was presented to the house at that time reflected rather simpler concepts than eventually emerged. It is important that there should be some safeguards in these plans because what is in fact happening is that companies are being relieved of tax on a share of their profits supposed to be paid by them to employees.

Mr. Lewis: Paid to them or allocated to them.

Mr. Sharp: Paid to them or allocated to them. They should become taxable when they emerge as part of the income of the employee. I am informed, and I have seen some evidence on this score from my officials, that these plans began to be perverted; they began to be used as means of avoiding tax. That is why it was considered of importance that there should be some sort of uniform and restrictive rules applied to them. Otherwise, as has been related to me, it is possible for an employer to put large amounts of money into these plans upon which tax is never paid, or alternatively to put large sums of money into plans which do not benefit the employees who are supposed to have shared in the profits of the company but which inure to the benefit of friends of the employer who are put on the payroll simply as a means of sharing in the

sum set aside in the trust, which was originally intended for the employees but finally emerged in the hands of special shareholders, the wife of the employer and so on.

It has been suggested that by applying these rules to existing as well as to new plans we are somehow or other being retroactive. I do not think I would bring before this parliament rules that would apply only in the future because in fact these plans are continuing and I could not permit plans to continue under the old rules when I applied the new rules to plans that might emerge hereafter. I do not consider it is retroactive any more than I consider retroactive the changes that are made from time to time in pension legislation which have an effect upon the sums that are set aside in a pension plan by the employer for the benefit of the employee. I am bringing forward, indeed—I hope in a day or so—legislation that will affect pension plans in undertakings that are subject to the jurisdiction of parliament. I do not consider that I will thereby be introducing retroactive legislation. I intend to affect the operation of those plans by making them portable in the future. The provisions will apply not only to existing plans but to those which may be introduced in federal undertakings hereafter. Mr. Speaker, these are the only comments I have to make at the present time. I shall be very happy when we come to the clause by clause discussion to amplify upon this explanation.

Mr. Deputy Speaker: Order. Is it the pleasure of the house to adopt the said motion?

The house divided on the motion (Mr. Sharp), which was agreed to on the following division:

YEAS

Messrs:

Addison	Clermont
Allard	Comtois
Andras	Côté (Longueuil)
Asselin	Côté (Nicolet-Yamaska)
(Richmond-Wolfe)	Crossman
Badanai	Davis
Barnett	Deachman
Batten	Dionne
Béchar	Énard
Berger	Éthier
Blouin	Faulkner
Brewin	Fawcett
Byrne	Foy
Cadieux (Terrebonne)	Gendron
Cameron (High Park)	Gilbert
Cameron (Nanaimo- Cowichan-The Islands)	Godin
Cantin	Goyer
Cashin	Gray
Chatwood	Greene
Chrétien	Grégoire
	Guay