

Income Tax Act

tax with respect to that shall be 25 per cent of 30 per cent of the tax that is payable under the federal rate. I want to know whether I am correct in this assumption.

Mr. Mahoney: Mr. Chairman, the purpose of this provision is to impose an extra tax where there is some income not earned in a province. I suppose the most conspicuous case would be income earned in the Northwest Territories or the Yukon. This brings the tax back up to the general level as if one included provincial taxation. The additional tax corresponds with provincial taxes, and while they may be imposed they are not likely to be less than 30 per cent. That is why 30 per cent was chosen. I suppose the absence of an amendment on our part to change that figure to 30.5 per cent by reason of the points the hon. member raised earlier is very clear evidence of our intention to try to pass tax cuts at the federal level along to individual taxpayers.

Mr. Lambert (Edmonton West): Mr. Chairman, I am not satisfied on that last point. I think there may have to be a change here in that since the guarantee is now to be at 30.5 per cent we may find ourselves using that figure. Be that as it may, the government may have agreed to the 30 per cent figure because it would be rather complicated to bring in an amendment providing for that extra one half of one per cent. Therefore the federal government may well agree to accept a shortfall in taxes resulting from the difference between 30 per cent and 30.5 per cent. That is quite all right.

I made some remarks last night with regard to subsection (2). The province of Quebec is the only province in which subsection (2) will apply, because this is a specific exception in the bill. Here is provided a deduction of 3 per cent of that portion of tax that is payable on and related to income earned in a province, and is with regard to the provision of schooling allowances. I suppose that 3 per cent to cover the schooling allowances of the province of Quebec is introduced in lieu of the youth allowances program which is an extension of the family allowances program that exists in all the other provinces. Perhaps the parliamentary secretary could confirm whether my understanding is correct in this regard.

Mr. Mahoney: Yes, Mr. Chairman. The hon. member's understanding is correct.

The Assistant Deputy Chairman: Shall section 120 carry?

Clause 1, section 120, agreed to.

• (5:40 p.m.)

On clause 1—section 146: *Definitions.*

The Assistant Deputy Chairman: The question is now on the amendment moved by the Minister of National Revenue for the Minister of Finance. It is found at page 8955 of *Hansard* for October 22. The amendment reads as follows:

The French version of section 146 as set forth in clause 1 of the said bill be amended by striking out lines 31 to 33, on page 397 and substituting the following:

“b) à titre de cotisation à une caisse ou à un régime enregistré de pensions ou en vertu d'une telle caisse ou régime enregistré.”

[Mr. Lambert (Edmonton West).]

Mr. Mahoney: Mr. Chairman, this amendment to the French version only is simply to change the wording used to describe a registered retirement pension fund to make it conform to language used in other parts of the bill.

Amendment (Mr. Benson) agreed to.

The Assistant Deputy Chairman: Shall the section as amended carry?

Mr. McCleave: Mr. Chairman, I indicated to the parliamentary secretary that I have a question arising out of paragraph 9 on page 395. That paragraph concerns events in the taxation year and provides:

Where in a taxation year a trust governed by a registered retirement savings plan

(a) disposes of property for a consideration less than the fair market value of the property at the time of the disposition, or for no consideration, or

(b) acquires property for a consideration greater than the fair market value of the property at the time of the acquisition—

These appear to be rather puzzling events. They seem to indicate transactions not really taking place at arms length but where someone operating within several companies, one of which is operating a registered retirement savings plan, is disposing of property at a considerable loss or disposing of the property and making artificial adjustments or getting much more than it is worth. Perhaps I have simply restated my puzzlement. I ask the parliamentary secretary exactly what we are trying to do here. I notice that this is a new provision added to the law.

I also have another question which involves a substantial number of people, particularly employees of Simpsons-Sears and similar organizations. Perhaps in the few minutes remaining before six o'clock the parliamentary secretary would again state the changes proposed in this section and the next, particularly the section that deals with registered retirement savings plans. I think the answer to my question and a general statement on the government's philosophy would be helpful to us.

Mr. Mahoney: Mr. Chairman, section 146(9) is part of the new rules concerning the investment operations of a trust for retirement savings plans. As the hon. member has said, it requires that amounts shall be included in the income of the annuity under a plan where the trust property is sold for less than its value or greater than its value. It is assumed that such a situation would only arise where there was a non-arms length transaction, if not between the trustee and the person who is buying and selling then certainly a non-arms length relationship between the annuitant and the person from whom the trustee was buying or selling. The intent is to prevent a trustee using the plan to confer a benefit on the annuitant or someone named by him and thus perpetuating a tax avoidance.

Mr. McCleave: I thank the parliamentary secretary for the explanation. I cannot see any reason why we should not have such a provision in the section to prevent abuses. With regard to my other question, perhaps the parliamentary secretary could be a little more general and give the committee and the country, through *Hansard*, an explanation of the one or two proposed substantial changes that are being introduced with regard to registered retirement savings plans.