

only promises to put certain amounts aside each year for an employee and pay it to him at some time in the future. I would not like to say that it may not at some time become necessary to introduce stricter rules about pension plans, but the provinces have become very interested in this and have imposed controls in this field, and it does not seem to have become necessary for the federal Government to provide the kind of rules for pension plans that are now proposed for deferred profit-sharing plans.

The CHAIRMAN: Any other questions on this aspect? I think we have certainly hit the highspots on the deferred profit-sharing plans. If there are no further questions, would you take up next the amendments dealing with the Canadian Vessel Construction Assistance Act?

Senator KINLEY: All we are doing here is to repeal the provisions and to put them under the Income Tax Act.

The CHAIRMAN: Yes, but we do not put them all under the Income Tax Act. Having accepted the statement that we repeal the Canadian Vessel Construction Assistance Act we move over the beneficial provisions to the Income Tax Act where they most properly belong, and you are interested to see that we do not move all the beneficial provisions. Would you deal with that aspect, Mr. Irwin?

Mr. IRWIN: The Canadian Vessel Construction Assistance Act provides that there shall be accelerated depreciation at the rate of 33½ per cent for the capital cost of a vessel constructed and registered in Canada. Secondly, the present Canadian Vessel Construction Assistance Act provides an exemption or freedom from recapture of capital cost allowance if the proceeds of disposition are used to acquire a new vessel within a seven year period, and the new vessel meets certain requirements of the Canadian Maritime Commission. Thirdly, it provides a deduction for tax purposes over a four year period of the estimated cost of quadrennial surveys required by the Canada Shipping Act.

The bill now before us will repeal the Canadian Vessel Construction Assistance Act. Ministers have given assurances that the rapid rate of capital cost allowance will be provided under regulations passed under authority of the Income Tax Act. The feature that excess capital cost allowance does not have to be recaptured will be cancelled, but a transitional period of eight years is provided, including 1966, in which the proceeds of disposition from vessels must be used in a method satisfactory to the Minister of Industry before 1974. The deduction for amounts set aside for quadrennial surveys is continued in the legislation now before us.

Senator KINLEY: After eight years there will be no recapture. If you use a vessel eight years there will be no recapture of the sale value.

The CHAIRMAN: There is a limitation. If you construct a vessel or start the construction after January 1, 1966, if you embark on the construction of a vessel after that date, you do not get this exemption from recapture. January 1, 1966 is the critical date. If you had started on it, or made a contract prior to that date, fine, otherwise you are subject to the ordinary rules of recapture.

Senator KINLEY: Then if you do not get the depreciation there is nothing to draw back; the vessel is free?

The CHAIRMAN: Yes. On fishing vessels the 33½ per cent accelerated depreciation still applies; but the regular depreciation is 15 per cent—is that the regular, Mr. Irwin?

Mr. IRWIN: The regular rate is 15 per cent.

The CHAIRMAN: And taking that, and if you sell it at a gain, it is subject to recapture.

Senator KINLEY: And if you build a new vessel with the money you are all right?