Mr. Lambert (Edmonton West): For clarification, I take it that if the taxpayer were to invest in the total package of production and processing, that is, starting with the raw material, storage, cafeteria and everything, there would be a totally new complex and these would qualify, but if there were an existing complex and an upgrading by way of a new cafeteria, or a new staff recreational room, these would not qualify in the same way as a new office section attached to an existing plant?

Mr. Macdonald (Rosedale): If it is all in one building or all in one continuous process the answer is yes. If, of course, it is split up in any way that it can be regarded as being an amelioration of existing facilities, it would not be covered. Obviously this is going to be a question of factual determination, and not an easy one in many cases.

Amendments agreed to.

Clause 9 as amended agreed to.

● (2030)

On Clause 10.

Mr. Lambert (Edmonton West): Madam Chairman, this is the one the parliamentary secretary and I had some discussion about in principle this afternoon. I take it this is the attempt by the Department of National Revenue to plug what they see as a loophole which allows employees to take the benefit of both a registered retirement savings plan and a registered pension plan. I will not repeat the argument I made this afternoon in principle. I think it is reprehensible to try to lump them together, particularly where an employee has no choice. The employer pays right into the pension plan without any consultation with the employee. They control the pension plan as in the case of the railways. An employee is not allowed to participate in any registered retirement savings plan, and this to me creates a disincentive to saving. Frankly I think this is counter productive to what we should have in our taxation system.

Mr. Macdonald (Rosedale): Madam Chairman, basically it is a question of fairness between employees of one employer and employees of another employer. There may be some circumstances in which the former would be entitled to deductions but the latter would not. This is to provide a little equity between different employees or taxpayers.

The Assistant Deputy Chairman: Shall clause 10 carry?

Mr. Lambert (Edmonton West): On division.

Clause 10 agreed to.

On Clause 11.

Mr. Lambert (Edmonton West): This again is to repair some of the ravages of the tax reform of 1971-72 where there was a desire by FISC to lay its hands on every conceivable split penny. First of all, government obligations had to be exempt from the withholding tax because that would hurt the government's position in its sales of government obligations or holdings of government obligations by taxpayers offshore. Now we are coming back to a more original position where Canadian business can finance on a long-term basis, and the withholding tax as it now applies will more or less preclude Canadian businesses getting more advantageous financing, and will place them in a very difficult position competitively with other interests abroad. Perhaps a little more sanity in this connection is being restored to the corporate tax in this very narrow sector.

Mr. Macdonald (Rosedale): Madam Chairman, the amendment really reflects in many cases the current state of the world capital market. I think it is fair to say that since my predecessor's introduction of this proposal earlier in the year a number of substantial placements have been made by Canadian corporations and other borrowers in foreign markets in longer term securities. Perhaps the temporary or occasional quality of this particular amendment is recognized by the fact that it is applicable up to the end of 1978. Obviously the government will have to have under scrutiny the capital markets at that time, and the necessity at that time of considering this particular exemption. As the House knows, there are certain opportunities for funded debt placement overseas of which we have taken advantage and which we feel can be taken advantage of, in effect placing further Canadian financing in a longer term debt form rather than shorter term or equity.

Clause 11 agreed to.

On Clause 12.

Mr. Peters: Madam Chairman, I am curious why there is a legal difference in the words "amount contributed" and the previous words "contributions made". This would seem to be more of a grammatical than a fiscal change, but I should like to know the reason for it.

Mr. Macdonald (Rosedale): Madam Chairman, this really is consequential on the earlier amendment, as the hon. member for Edmonton West pointed out. "Contributions" is capable of being interpreted as either contributions in cash or contributions as services. This is to make clear that we are talking about contributions by cheque or cash payment as opposed to contributions of time donated by people.

Mr. Peters: Do I take it then that the minister is saying that only cash or cheque contributions now will be considered? As I understand it this would be a contradiction to the electoral act where one of the major purposes is that the total cost of an election is to be recorded and in this case we consider only cash donations. I am sometimes confused between the act in the province of Ontario and the federal act. However, it seems to me we are saying that they can only be contributions by cheque or cash.

This could represent a major change so far as the electoral act is concerned and the ability of contributors to make contributions in kind, in time, or whatever it may be. Surely the minister is well aware of the fact that what this means is more transactions because if the person wishes to donate services, the services are paid for, he is given a cheque and makes the contribution. It seems to me if this does not mean that and that is not the purpose of it, we are making a major change in the reporting of electoral expenditures. I think this is why I am confused by the words "contribution made" which includes a number of things and the new words "amounts contributed". In my English I would consider them both to mean the same thing, but I