

Dr. EATON: It deals with the profit sharing plan, and makes taxable in the hands of the employee the amounts allocated to him under a profit sharing plan, by the trustee of the plan.

Hon. Mr. HAYDEN: Whether or not he is entitled to receive them in that year?

Dr. EATON: That is correct.

Hon. Mr. HAIG: O.K.

The CHAIRMAN: Subsection 3?

Some Hon. SENATORS carried.

Section 1 was agreed to.

On section 2—Stock dividends and stock rights.

The CHAIRMAN: Dr. Eaton, will you explain that, please?

Dr. EATON: This is an amendment to section 8 of the act, under which certain benefits received by an individual from a corporation may be taxable. This amendment states that stock dividends and rights to purchase stock shall not under this section be deemed to be benefits received by the shareholder.

Hon. Mr. HAIG: Pass.

The CHAIRMAN: Subsection 3?

Hon. Mr. HAYDEN: There is an item on page 2 of the bill, in subsection 3, dealing with interest on income bonds.

Dr. EATON: That is a re-arrangement. The substance of that, which was contained in section 9, is inserted in section 8 without change.

Hon. Mr. HAIG: Satisfied.

Hon. Mr. HAYDEN: Carried.

Section 2 was agreed to.

On section 3—repeal.

Hon. Mr. HAIG: Any repeal we will vote for.

Hon. Mr. HAYDEN: Yes, we will vote for any repeals.

Section 3 was agreed to.

On section 4—War Savings Certificates.

Hon. Mr. HAIG: Does this deal with Newfoundland certificates?

The CHAIRMAN: Yes.

Hon. Mr. HAIG: Carried.

The CHAIRMAN: As to both subsections 1 and 2?

Hon. Mr. HAIG: They deal with the same thing.

Section 4 was agreed to.

On section 5—Interest.

The CHAIRMAN: Dr. Eaton, will you please explain section 5?

Hon. Mr. HAYDEN: Section 5 is the one that becomes necessary by reason of the McCool case in the Supreme Court of Canada?

Dr. EATON: That is correct. It broadens out the law in respect of interest paid by a taxpayer. As the law stood prior to this amendment interest was deductible on borrowed capital used in the business. This allows a deduction in respect of interest payable in connection with the purchase of property; that is, the purchase of property that is not all paid for, and the purchaser has to pay interest in respect of the unpaid purchase price. That interest is also allowed as a deduction to the taxpayer.