

In order, to be fair, I suggest the tax structure should be related to the total family income. The deduction should not be a flat \$250 but should be related to need. In that case the minister's statement would be correct, and indeed it may be correct in certain circumstances. It would mean that if an individual got an interest-free loan or a loan at a reduced rate of interest as part of his wages, he would be in a reasonable position vis-à-vis the person earning, for example, \$50,000. If that kind of tax exemption is given to some people it seems to me the same advantage should be given the average person.

**Mr. Chrétien:** Mr. Chairman, I think I am faced with a disagreement with the hon. member that I cannot solve overnight. He takes a different view of the situation. At this time we are trying to cope with a situation that was abused whereby a company was lending money to, say, 20 employees—and not only managers. Very often in a mining town the blue collar workers had this advantage as well, as mentioned last week by the hon. member for Churchill. That is why we decided to limit it to \$50,000 for a house, and \$6,000 for extras that go into the house, and the provision when it is a loan for buying shares relating to the company.

The hon. member can claim that we should abolish it completely, but that would create problems for those people who use it in an honest way to cope with the problem of moving employees. I think the method is fair.

The hon. member referred to the situation in the United States. As I understand it with interest-free loans, the benefit of the interest is not considered as revenue in that country.

**The Chairman:** Shall clause 8 carry?

**Some hon. Members:** Agreed.

Clause 8 agreed to.

Clause 9 agreed to.

On clause 10.

**Mr. Stevens:** Mr. Chairman, I wonder if the minister could give an explanation of this clause. Specifically what prescribed rate do they have in mind to substitute for the 5 per cent now in the act?

**Mr. Chrétien:** Mr. Chairman, last week we had a very interesting discussion when we decided the end of summer was before the coming of fall. It is the same rate of interest. At this time it will be 8 per cent.

**The Chairman:** Shall clause 10 carry?

**Some hon. Members:** Agreed.

Clause 10 agreed to.

Clause 11 agreed to.

On clause 12.

**Mr. Stevens:** Mr. Chairman, this is a new clause in the bill and I think the committee should have some explanation of what the minister has in mind. This deals with advertising in

non-Canadian periodicals, and this is quite a controversial question.

**Mr. Chrétien:** Mr. Chairman, this was a very controversial problem, but I think it is less so now. The amendment clarifies the meaning of the expression "substantially the same" by defining it to mean more than 20 per cent the same. Thus, an issue of a periodical more than 20 per cent of the content of which is the same as a foreign periodical, cannot qualify as Canadian. The amendment simply clarifies the expression of Revenue Canada. In fact it is just clarifying the decision of the Department of National Revenue.

**Mr. Stevens:** Could the minister give examples of magazines excluded as a result of this terminology, that more than 20 per cent of the content is the same? Where do *Reader's Digest* and *Time* come in?

**Mr. Chrétien:** Mr. Chairman, *Time* Canada, which has a continuing arrangement with the United States parent, could not meet the 20 per cent nor the Canadian ownership requirement and has ceased publication in Canada. *Reader's Digest* does not have a continuing arrangement with a foreign periodical and has met the 20 per cent test and complies with the ownership rules.

**Mr. Stevens:** Dealing with *Time*, what does the department feel is the aftermath of *Time* being deemed a non-Canadian periodical? I understand they are selling more advertising than ever in Canada although they cut the rate in half because of the non-deductible feature.

**Mr. Chrétien:** We do not know what they charge clients for advertising in *Time*. Companies that advertise in the magazine cannot deduct the cost on the same basis they would when advertising in the old *Time* magazine. The hon. member claims the price of advertising in *Time* has been cut in half in order to be competitive in the Canadian market. That could be the case, but we do not know.

**Mr. Stevens:** Could the minister tell us if his department or any other intends to follow up the approach taken by the government on *Time* and *Reader's Digest*? Has there been any follow-up of the aftermath on either of these magazines?

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**Mr. Chrétien:** I think that the administration of this program is under the control of the Secretary of State and someone is monitoring those aspects there—I really don't know. I know since that time *Maclean's* magazine has decided to publish on a different basis. They are going to publish weekly, and some claim this is as a result of these amendments. The hon. member could ask that question of the Secretary of State, or if you want me to ask him to provide the information, I will be pleased to do so.

**Mr. Stevens:** I will be pleased if the minister is pleased to do so.

**Mr. Chrétien:** I am such a nice guy.