

My intention in this matter is to follow the precedent established some years ago in connection with the Income Tax Act and more recently with the Estate Tax Act. I propose to introduce toward the end of this session a separate bill which will incorporate a new approach to the taxation of the several components of employees' profit sharing plans. I shall invite the house to give this bill first reading but to proceed no further at this session. This will provide full opportunity for all interested citizens and organizations to study the bill and make their views known to the government. Consideration will then be given to the incorporation of this new approach into the Income Tax Act next year.

The improved facilities to be made available for employees' profit sharing plans will constitute an important piece of social legislation within the framework of the Income Tax Act. In its distinctive way, this will supplement the growing body of social security measures that have been sponsored by the government. It may be that the medium of profit sharing will provide fresh opportunities for capital, labour and management to work out new forms of co-operation amongst themselves in various instances. Neither expense nor obligation will be imposed, however, upon groups and organizations that do not choose to assume them.

The second complex question that requires fresh study and consideration pertains to the designation of surplus under section 28(2) of the act. The central issue is the taxation, as personal income or otherwise, of earnings that are distributed or are available for distribution in various forms by corporations. We shall be undertaking a comprehensive study of these matters during the coming year. I shall welcome considered expressions of view from all interested persons and organizations.

ESTATE TAX

The new Estate Tax Act has been in force since January 1, 1959. It has received general public approval. At the same time experience has indicated a number of points at which it can be improved, and I shall place before the house a number of amendments for this purpose. Most of these will be of a technical nature and on balance they will benefit the taxpayer.

An amendment of general interest will provide for the reopening of the assessment of an estate within a fixed period of years and the refunding of estate tax when, for example, a life annuity is terminated prematurely. It sometimes happens that an important asset in an estate is an annuity to the surviving widow. This annuity may come to an end if she dies or if she marries again. It

is nevertheless valued for purposes of estate tax on the basis of the prescribed mortality tables. The proposed amendment will provide that where certain classes of income rights are terminated or altered within four years of the death of the testator, the assessment may be reopened on request and appropriate adjustment made.

SALES AND EXCISE TAXES

I am placing before the house a small number of amendments which will affect the application of the Excise Tax Act.

I am proposing that electric heating equipment designed to be permanently installed as part of a building heating system should be exempt from sales tax. The effect will be to permit this method of household heating to compete for the market on the same terms as other methods of heating.

I am proposing that manufacturers of doors, windows and window frames should be required to pay sales tax on the hardware attached to or sold with doors, windows and window frames unless such hardware is specifically exempt under schedule III of the act. The standard items of hardware that are used with doors and windows are, in fact, listed in schedule III. The purpose of the amendment is to remove some uncertainty that has existed with respect to some special items of hardware. The result will be that the whole group of manufacturers concerned will be more fairly and equitably treated as amongst themselves.

In order to avoid the possibility of misunderstanding I shall mention a comparatively minor amendment intended to prevent private individuals who purchase yachts from avoiding the imposition of sales tax in respect of the materials that are included. This will not affect the commercial shipyards, which will continue as before to purchase materials for the construction of ships free of sales tax under licence.

CUSTOMS TARIFF

I turn now to matters relating to our Customs Tariff. I have six resolutions to place before the house and I shall also be mentioning some new references to the tariff board.

Four resolutions relate to textiles and contain the results of tariff negotiations with other countries designed to give effect to reports received from the tariff board. The reports in question are those relating specifically to cotton and cotton products, to silk, man-made fibres and their products, to textile wastes, slivers, rovings and yarns, and also to wool fabrics other than those covered by tariff items 554b on which action has already been taken.