

Supply—National Revenue

understanding in 1946 was that both the town's contribution and the employee's contribution could be written off for tax purposes. In the case of a corporation, as suggested by the hon. member for Eglinton, the corporation has a right to deduct for tax purposes its contribution to a pension plan. But a municipality, not being taxable, has no way of getting an offset for that amount of money.

That understanding went along fine up until about a year ago when the auditors went into the town, checked over the matter and decided that this was not right, that the town was not right in permitting the employee to deduct the 5 per cent that was contributed by the town. The argument the town puts up is that that 5 per cent it is putting in, were it not paid in to a pension plan, would likely have been given to the employees by way of wage increases and so on. Then they argue that, in the second place, that pension, when it is paid ultimately, is taxable and that it should not be taxed at both ends. It is not a complicated matter. I think the municipality which sets up an agreed pension plan such as that should at least get the same benefits as those enjoyed by a corporation.

I am not going to elaborate on that matter any further. I think the deputy minister of taxation is going to have that particular case on his desk, if he has not received it already. I would suggest that the application of tax offset in relation to pension plans that municipalities set up is a matter at which another look should be taken. I think maybe the act, as it is today, can be interpreted to permit the revision of that plan in accordance with the district office's decision. I do not think the treatment accorded is just, and I believe there is a great imposition on the municipality as the situation now stands.

Mr. McCann: Is it your contention that the amount of money the employee pays into the pension fund and also the amount of money the municipality pays in should be deductible for the purpose of that person's income tax?

Mr. Gillis: Exactly.

Mr. McCann: The difficulty is this. If you are dealing with a corporation, you are dealing with a taxable body. But if you are dealing with a municipal body, it is not a taxable body at all. But when the pension is paid, it is taxable. He is allowed, when he pays in to deduct that payment as an expense, you might say, from his income.

Mr. Gillis: Why should not the municipality get the same benefits?

Mr. McCann: Because one is a corporation.

Mr. Gillis: Why should a corporation get it?

Mr. McCann: Because one is a taxable corporation and the other is not.

Mr. Gillis: That is not the fault of the municipality. That is a fault of the law.

Mr. McCann: But that is the law.

Mr. Dickey: Then let us make them taxable.

Mr. Gillis: That is the point about which I am asking now. When the act was drafted, that particular angle was lost sight of.

Mr. McCann: That is not right.

Mr. Gillis: I say it is time for an adjustment. In this particular case those who set up the fund made the decision that this could be done in this way; then, four or five years later, they come back and say, "That is wrong; we are going to change that; we are disallowing that" and they are going back for a couple of years on it and imposing penalties on the employee who is the innocent bystander.

I merely mention the matter so the minister may know about it, because his deputy minister will likely be seeing him on this particular case. While you can interpret the law in that way today I think it was a mistake, when the law was written, that some line of demarcation was not drawn as between corporations that are taxable and municipal bodies that are not taxable. If that 5 per cent contributed by the town was not going into a pension fund to provide for the future, it likely would be going to the employee by way of increased wages.

Mr. McCann: We shall look into the matter.

Mr. Gillis: Thank you.

Mr. Herridge: Mr. Chairman, I am going to say what I have to say on these estimates in one shot. I see the minister smiling, but he may not smile so much when he sees the length of the shot.

Mr. McCann: As long as it is not a shotgun.

Mr. Herridge: I just want to say this before dealing with the question I particularly raise with the minister. The minister and the officials of this department have a most important and exacting duty to perform, which we all recognize is not too popular at times. I remember just shortly after the war I ran into numerous instances of what I thought was a certain degree of carelessness or slipshod work on the part of employees of the department. I presume that arose from the fact you had to expand the department very rapidly during the war.

I must say that in my opinion the quality of the staff and its efficiency has improved continuously throughout the years. I do want to express my appreciation of the courtesy