

Income Tax Act

we have had an excellent example of a company which has had this plan in operation for almost 50 years—I refer to the Canadian Kodak Company. I think it was in 1957 a distribution they made at that time was the equivalent of \$545 for each employee. When something of this kind gets established and operated by a well established company such as the Canadian Kodak Company one can see that it is very much worth while indeed.

I quite realize that organized labour has looked a bit askance at profit sharing. They felt that perhaps it was something that would reduce their effectiveness in collective bargaining and so on. But I think those who are interested in this thing have been rather pleased to see that such a leader of organized labour as Walter Reuther, head of the united automobile workers, when he was I think last negotiating in the United States for the united automobile workers in 1958, indicated that this was one of the objectives, that in addition to some other hopes for the achievement of better working conditions he hoped the members of his organization would participate in profit sharing in the automobile industry as well as having a steady advance in wages.

I wonder whether the minister would indicate what he has in mind. If there is now to be a tax deferment—something which there has not been up till now—with respect to the allocation of the shared profits, a tax deferment similar to that which is provided for employees' retirement annuities or for pensions, does he have a concept of something being necessary similar to the blue book of rules for pension funds which I think insists that for the employer and for the employee to get a tax concession of any kind the scheme must be offered without discrimination to any person in the organization or in the company who desires to participate? I think it is true of a pension plan that you cannot set up a scheme under which certain privileged executives get the benefit of a pension and it is not offered to other employees of that corporation. Inasmuch as there will be a tax deferment and the tax is not paid by the individual immediately after the allocation does the minister think that similarly it would be necessary to insist that the privilege be offered to all members of the employer's organization?

Mr. Fleming (Eglinton): I do not think the matter is quite as complicated as that. What will probably follow here after 1961 will be simply a course of practice. The department may choose to issue explanations of this practice to assist those who will be dealing with such plans. But in connection with

[Mr. Benidickson.]

registered retirement savings plans no manual is issued to inform them and I doubt very much whether any such manual would be necessary with respect to the type of profit sharing plans that are contemplated by the proposed amendment.

Mr. Benidickson: What is the present practice in the United States? Have there been two types of taxation such as I think the minister has in mind? In other words, if it is a cash profit sharing proposition down there do they pay a tax immediately; and if it is a deferred profit sharing scheme do they have tax deferment?

Mr. Fleming (Eglinton): I am told that the United States has two schemes and provisions of the law corresponding to the cash scheme and the deferred scheme in the way I have indicated. However, I would not wish to be too precise in likening the provisions of the United States law to what is contemplated here.

Mr. Herridge: I should like to ask the minister a question. No doubt he knows that certain unions, particularly the international mine, mill and smelter workers, have made representations to the government urging that vesting rights be established in pension schemes undertaken by companies or companies and employees when exemption from taxation is permitted. I know that when I asked the Prime Minister a question he said the government was considering the matter and that an announcement would be made at a later date as to the government's decision. Can the minister tell the committee anything about this matter or how it rests?

Mr. Fleming (Eglinton): That has nothing whatever to do with this resolution under discussion.

Mr. Herridge: It is a separate thing?

Mr. Fleming (Eglinton): It has no bearing whatever on this present resolution. This contemplates an entirely new type of provision in relation to profit sharing plans. It has nothing whatever to do with the kind of scheme to which the hon. gentleman refers. The matter of creating vested rights is something which falls under provincial jurisdiction. All that the federal government can do is to relate certain tax incidence to the question of vesting or not vesting, but that has nothing to do with this subject whatever.

Mr. Herridge: The minister says it falls under provincial rights. But why would the Prime Minister inform the house that the cabinet was considering these representations?