

## Income Tax Act

**Mr. Hellyer:** Does the minister know that the vast majority of people in Ontario had a plan, namely the Blue Cross plan, before this and they were getting the same benefits then as they are getting now?

**Mr. Fleming (Eglinton):** A substantial number of people were members of the Blue Cross plan, Mr. Chairman, and they can continue to be members of that plan as to hospital services which are not covered by the act.

**Mr. Robichaud:** Does the minister agree that in the province of New Brunswick, under the plan that is to come into effect on July 1, the residents of that province will have to pay—that is, those who want semi-private room service—\$8 more under the hospital insurance plan which will be introduced than they were paying under the Blue Cross, so that they are having an extra tax of \$8 imposed on them? Besides that, they are not allowed to deduct the medical expenses over and above 3 per cent of their taxable income. I want to repeat what I said on May 4 when this bill was introduced. If the minister wants to be logical, the residents of New Brunswick should be allowed to deduct at least 50 per cent of their medical expenses over and above 3 per cent of their taxable income.

**Mr. Benidickson:** I want to ask the minister a forthright question on section 8. I compliment him on introducing this amendment to the bill. But in view of the other things that he is taking away, can he tell this committee that the underlined words are really going to help any taxpayers and, if so, to what extent? I know that the minister is always advised by the tax collecting officials before these recommendations appear in statute form, and they give him an estimate as to what the costs to the treasury might be of things like this. The underlined words relate to beds for poliomyelitis victims, and so on. Actually, if the minister is taking away the right in most provinces to include the cost of hospitalization, what is the estimate of the tax loss as a result of the amendment we are asked to make here with respect to the underlined words?

**Mr. Fleming (Eglinton):** There is no estimate, Mr. Chairman. It was not possible to make an estimate of the tax loss in extending these exemptions.

**Mr. Robichaud:** I want to come back to the argument I just made. Fifty per cent of the cost is not being paid by the federal government; 50 per cent of the cost is being paid by the residents of the province of New Brunswick. Can the minister explain why we are not allowed to deduct this 50 per cent of our medical expenses?

**Mr. Fleming (Eglinton):** I say to my hon. friend that he is getting a great deal more than he got before in this respect. The federal government is paying half of the cost of all hospitalization and diagnostic services provided by this act. It is costing the federal treasury this year \$160 million in those provinces which have subscribed.

**Mr. Robichaud:** Fifty per cent of the cost?

**Mr. Fleming (Eglinton):** It averages 50 per cent across the dominion. In some provinces the federal share is more than 50 per cent.

Clause agreed to.

Clauses 9, 10 and 11 agreed to.

On clause 12—*Transferred pension fund contributions to be subtracted.*

**Mr. Benidickson:** Mr. Chairman, I want to do what I do not often do, namely compliment the minister on this change. I think it does make it possible for a little greater freedom in transferring from one employment to another. The minister explained this on the resolution stage.

**Mr. Fleming (Eglinton):** I thank the hon. gentleman.

Clause agreed to.

On clause 13—*Associated corporations.*

**Mr. Fleming (Eglinton):** I think I would like to make a comment on clause 13, as it may be of interest. This provision which we are making by way of continuing the benefits enjoyed by the corporation which has an income of less than \$25,000 is, of course, subject to certain terms in the act. I draw attention particularly to the provisions of section 39, subsection 4 of the act. I may say that my attention has been drawn to certain problems connected with this provision. It sets forth rules which are followed in determining whether or not corporations are associated with one another through ownership of shares. In particular, a corporation is not regarded as being associated with another corporation unless 70 per cent of its shares are owned by the other. This latter percentage was inserted in the act several years ago by an amendment. It was intended to relieve corporate taxpayers of certain difficulties with which they were being confronted. As a result, however, there are indications that it may be becoming too easy under this provision to divide a corporation into a number of smaller components, each of which qualifies for the lower rate of tax on its first \$25,000 of income.

Although no conclusion has been reached as yet on this matter, I should like to inform the committee that consideration is being