

Income Tax Amendment

this massive volume of amendments that he has almost eliminated the benefit under this section. I believe that the result will be that very few companies will even think about profit sharing plans of the type I have outlined.

There is one thing I find very difficult to understand. These plans required registration and there were guide lines which had to be followed. In the case of the company I have particularly in mind their first submission as I say, was in May of 1965. They were asked by the department to make certain changes. They revised the plan, made the changes, met the guide lines and submitted the plan again. There was a delay of six months after their last submission and by the end of 1966 the plan still had not received registration while other plans had. In this case I have every reason to believe that all the requests of the department were met in full. It was a legitimate plan so that the employees would be able to take over the company from the principals involved. I do not know what was the reason for the long deferment of registration but this company did not receive registration and therefore was subject to the freeze.

I have been in communication with the minister concerning this case. When I wrote to him the last time I asked him about the position this company might be in in view of the fact almost two years had elapsed. The minister stated in his letter:

I have received your letter dated January 13 asking about the new rules for deferred profit sharing plans.

I did not ask the minister about the new rules. I asked him whether he could give me some indication of the position this company was in in respect of the proposed plan in view of the fact that at the end of the first year they were permitted to operate as though the plan had been registered. The minister did not really answer the question I put to him. I can only draw the conclusion that this company is now in the position that this plan cannot be of benefit to the employees in the way it had been hoped it would be when the first presentation was made. It may be in their interests to drop the plan completely. I think this is a mistake.

I may have misunderstood the proposed amendments but I cannot see that they do other than eliminate some plans already in force or which may be in the process of being prepared. Surely it is in the interest of the country and the employees that plans of this nature be legitimized and registered. If the object of any proposed plan is against the

intent of the section, surely because of the registration provision the minister has every opportunity to see that the section is not misused.

With regard to insurance I think we all recognize that the purpose is to provide for the eventuality of the death of one of the principals. One of the purposes of the trustees in investing in life insurance is that in the event funds will be produced through the policy to enable the employees to secure their interest in the company. This was the basic idea in respect of the plan at its inception.

The retroactivity provided for by this bill would seem to have far-reaching consequences. Surely the minister could accomplish what he has in mind in some other way. Improper practices which have been followed up to now could be eliminated from this date onward. It would seem to me that this would close the gap and would not create any undue hardship in respect of present plans. I believe it would have the desired effect. But the minister has gone further than that in his proposed legislation.

• (4:50 p.m.)

There is another clause which I believe will have much to do with whether a plan will or will not succeed. If a plan is intended for the purpose I have outlined, to enable a group of employees to become the owners of a business, then I agree with it. However, some companies have started in a small way, have retained profits to build up and extend operations, and have not paid dividends. The requirement that they can only pay dividends after five years will eliminate the effect of funds set up for the purpose of employees acquiring ownership of companies and will deny these employees that privilege.

When we reach the clause by clause study of the bill I hope the minister will, in explaining his proposal, remove the fears some of us have in this connection.

Mr. Deputy Speaker: If the Minister of Finance speaks now he will close the debate.

Hon. Mitchell Sharp (Minister of Finance): Mr. Speaker, I shall attempt to deal briefly with some of the points raised. Some of them will require an extended explanation and I will reserve such for the committee stage.

I entirely agree with those who have spoken today and said that this is very complicated legislation. Indeed, I was horrified when my officials first placed before me the amendments they felt were necessary in order to