

Supply—National Revenue

of the board in presenting cases to this board and the courts in future. The mistake was that, as evidence, they introduced a return from his brother by whom the debt was owed, showing that the brother was in a position to pay it. The taxpayer who put in the return attempted to write it off as a bad debt. He should not have taken that position until it was absolutely proven that it was a bad debt. In this particular instance evidence was produced that the brother had sufficient funds to pay his debt. But, as I say, the department will be bound by the decision of the board in presenting cases to the board and the courts in future, and they will not use that type of evidence. It will have to be decided whether or not that was a debt that could be written off or held until he could pay.

Mr. Fleming: I am glad to have the minister's assurance on that point. As he has indicated, the decision of the income tax appeal board was quite clear on the point. I think it must have surprised most people to find that the department had attempted to introduce the return as evidence; but in view of the assurance of the minister that it will not be attempted in the future, I intend to say no more on the point.

Mr. McCann: It just goes to prove what I have been arguing lately with regard to the secrecy provision. I admit that inadvertently in this particular instance the secrecy provision was technically violated.

Mr. Fleming: Violated by the department itself.

Mr. McCann: We are not infallible.

Mr. Fleming: The other point relates to pension funds. Pension funds are becoming more common on the part of a great many corporations. I understand it to be a rule laid down by the department—which, after all, has a fairly effective control over these employer-employee pension funds—that no trustee may invest more than 15 per cent of its funds in common stocks. My question to the minister is whether that rule is applied to pension funds established by crown corporations.

Mr. McCann: I see no reason why the law or the regulations, whichever it is, should not apply to crown corporations the same as to any other corporation. I cannot say at the moment whether there have been any violations of that rule.

Mr. Fleming: I do not know the name of the crown corporation referred to, but in a bulletin entitled "Employee Benefit Plan Bulletin" published monthly by William M. Mercer Limited, this being the bulletin for

[Mr. McCann.]

the month of March, 1955, there appears a short article entitled "Canadian Pension Fund Yields" in which I find this paragraph:

One pension fund which showed the highest yield was that of a crown corporation where the trustee was authorized to invest up to 30 per cent in Canadian common stocks. Since the employer is a crown corporation the trust agreement can and does disregard the Department of National Revenue's 15 per cent limitation on common stock holdings.

As I say, I do not know what particular crown corporation is there referred to. However, I agree with the minister that there is no reason why crown corporations setting up pension funds should not be bound by the same rules as those applicable to any other corporation. It is certainly not a case in which there should be any preference or discrimination in favour of crown corporations.

I take it that the minister is not aware of the case. In bringing it now before the committee and to the attention of the minister, I would ask the minister's assurance that he will look into the pension funds of all these crown corporations, and that if there are any that exceed the rule that is applied to other employer-employee funds, they will be brought into line so that all will be treated alike at the 15 per cent maximum.

Mr. McCann: I personally and my officers have no recollection of any crown corporation making application to deviate from any of the rules that are applicable to other pension funds.

Mr. Fleming: Then will the minister give us his assurance that he will review these pension funds of crown corporations?

Mr. McCann: Yes.

Mr. Fleming: And that if he finds any of them to be out of line, he will bring them into line?

Mr. McCann: The matter of pension funds is under review at this time between the Department of Finance and the Department of National Revenue.

Mr. Fleming: And you will bring them into line?

Mr. McCann: Yes.

Mr. Gillis: I should like some information also on an agreed pension plan as it applies to a municipality. This pension plan I have in mind was set up in 1946. When it was set up it was understood by the employees and the municipality—it is under the annuities branch—that the amount of money the town would have to put in to set up the fund could be written off over a period of 10 years, plus the provision that the employee was to pay 5 per cent of his income and that the town was to contribute a like amount. The