

Income Tax Act

travelling or making gifts or something of that nature, but it is another where a person continues to invest the money but rather than investing it in an annuity he invests it in a small business or in a capital asset. For these people there are ways of providing a more equitable tax treatment.

The parliamentary secretary will recall the days when the finance committee operated and a number of methods of achieving this result were put forward. I proposed one myself and I am disappointed that it was not possible for the minister, in the bill which he proposed, to consider this important situation. I hope that the parliamentary secretary will not inform me that all hope should be abandoned, because if that is the case it will be a grave setback to the deferred profit-sharing plans of many corporations which have been of great benefit to the country.

Mr. Thomson: I have a question for the parliamentary secretary. Has he received many representations regarding the particular item mentioned by the hon. member for Don Valley?

Mr. Mahoney: I should say that the only representation I have received on this particular item has been from the Simpsons-Sears deferred profit-sharing plan. However, that is a personal answer and does not necessarily reflect the representations that may have been received either by the minister or by the Department of Finance. I am afraid I do not have an assessment of what the volume of representations may have been in that respect.

Mr. Thomson: The question which I intended to ask was whether there were many companies that had this type of plan. Logically, if a great many companies had this type of plan, maybe they should receive general consideration. I wonder if the government has looked at this question to see whether they might give more equitable treatment to these employees.

Mr. Mahoney: Of course, the problem here is not only one of more equitable treatment, but perhaps I will deal with that when I have an opportunity to respond to the various general representations that have been made. There are a number of companies, probably a couple of dozen—I am reminded of Dofasco, the Dominion Foundry and Steel Company—that have this type of set up, as well as Simpsons-Sears and one or two of the oil companies in my own area; and there are a few others.

It is not a plan that is widely used in terms of the business community, but where it is used it is certainly one to which the people who have implemented it seem to have a very deep attachment. The problem that arises here and to which they are really objecting is the substitution of the current very favourable averaging provisions under section 36 of the present act on some payments taken out of the deferred sharing plan. Section 36 will continue in effect under the new tax regime for contributions made up to the end of the current year, but for contributions made in 1972 and beyond, the general averaging provisions which the committee approved earlier today will apply and the favourable averaging provisions under section 36 will be replaced by those provisions.

Mr. Douglas: Mr. Chairman, I rise for the purpose of asking the parliamentary secretary whether he will comment on the matters which have been raised with respect

to the B.C. teachers' retirement plan. I do not think there is any necessity to repeat what has already been put before the parliamentary secretary. We would like to know what amendments he would be prepared to move or to accept, particularly with reference to the one point at issue in section 146(g), or whether there is some way under the regulations by which he proposes to deal with the situation which has been described—because there is no doubt that in section 146(g) the government is trying to prevent some of the abuses that have taken place.

There is always the possibility of a retirement plan being used to benefit the members in some way other than just for retirement purposes. But I think it is fairly clear from all the data which I have seen and from discussions with those who are interested in this plan that the B.C. teachers' retirement plan has not been used to benefit the members directly but has become a co-operative that has made it possible for teachers all over B.C. to borrow money to build houses. The advantage has been that the interest rates are fair and reasonable.

More important, the interest rates are uniform across the province, with the result that a teacher in Tofino can borrow money at the same rate as a teacher in Vancouver or Burnaby. This has been very helpful in providing housing accommodation for teachers all over the province of British Columbia. I do not need to labour the point; I am sure the minister is familiar with it. I understand that the representatives of the B.C. teachers' retirement plan discussed the matter with the parliamentary secretary and received a very sympathetic hearing. My reason for rising was to ask the parliamentary secretary whether he has reached any conclusion regarding how this problem might be resolved.

Mr. Mahoney: Mr. Chairman, I certainly did not intend to avoid responding to this question. However, it seemed to me that there was a certain amount of home cooking going on around the chamber and I wanted to give all hon. members who wished to get their cases on the record an opportunity to have their say before I answered. However, if no other hon. members wish to discuss this point I shall be delighted to deal with it now.

The B.C. central retirement savings plan, which is the creature of the B.C. Central Credit Union, and the B.C. Teachers' Federation retirement savings plan, which operates through the B.C. Teachers' Federation Co-operative Association, both made very persuasive arguments to the government in respect of the problem with which they are confronted—the intervention at this point of the sections defining qualified investments. There is no question that the method by which these organizations have invested up to this point their extra pension funds—and of course this is over and above the statutory pensions with which B.C. teachers are provided in the ordinary course of events by the school boards, and so on—is not at present, under the bill before us, an authorized investment. The hon. member for Edmonton West described that rather fully so I will not reiterate what he said.

Hon. members have noted that the reason for defining qualified investments is to prevent the eventuality of a taxpayer who has deferred taxation as a result of the provisions of the tax bill that permit retirement savings to be accumulated tax free and tax deferred until the bene-