

any significance in the fact that this bill was introduced for second reading on the sixtieth anniversary of the Russian revolution.

Some hon. Members: Oh, oh!

Mr. Stevens: Dealing specifically with your reference to clause 6, and before we vote on the clause, may I point out to the minister that the time we have spent on clause 6 has been very fruitful because, if we check last Thursday's *Hansard*, we will find that in dealing with the insulation grant provision the minister stated that he could not understand my point about the legislative provision not being in accordance with the income tax motion. He went on to state that there is no fundamental difference between the two. He reiterated that several times, and now I am very pleased to see that, as of yesterday, with the bringing in of the new amendments with which we dealt today, the minister has come around 180 degrees and he now says that he agrees with me. He said he has checked this and he feels I have a good point. He said that rather than having a complicated procedural problem referred to Mr. Speaker, he agrees with me that the Ways and Means motion is more narrow than the bill and that this should not be so. In short, the time has been well spent if we have corrected that error alone in Bill C-11. Let me assure you, Mr. Chairman that I could go on and point out at least ten other errors which we have had a hand in correcting so far.

Mr. Chrétien: I am surprised that the hon. member is belabouring this point. He put that before me and I said he had a point. It is obvious to me that he is so entrenched in the opposition that, when he has a little victory, it takes him 24 hours to realize it.

The Chairman: Is clause 6 agreed to?

Some hon. Members: Agreed.

Clause 6 agreed to.

On clause 7.

Mr. Stevens: Again clause 7 is one of those rather complicated clauses and I wonder if the minister could give us a quick summary of what, in his understanding, clause 7 is attempting to do.

Mr. Chrétien: Mr. Chairman, it reminds me of the old song "Roll over, roll over again". This clause is another roll over. I think now the hon. member will understand.

Some hon. Members: Oh, oh!

Mr. Stevens: Mr. Chairman, I am not as familiar with the roll over song as is the minister apparently. Perhaps for the record he should give us a more serious explanation of what clause 7 is about, bearing in mind it has some ramifications for certain corporations in the country.

Mr. Chrétien: Everyone knows that I am an extremely serious person, Mr. Chairman, but sometimes it is important

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to relax for a while and to bring in a good atmosphere to the House.

The clause is, first, to permit proceeds on the sale of eligible capital property to be offset by any costs relating to their disposition. Second, the purpose of the clause is to permit rollover when eligible capital property is disposed of and the proceeds are reinvested in the business.

The Chairman: Shall clause 7 carry?

Some hon. Members: Agreed.

Clause 7 agreed to.

On clause 8.

Mr. Peters: Mr. Chairman, again this clause appears to provide more for one segment of the economy than it does for another. The old Section 15, according to my advisers at Osgoode Hall, was designed to prevent generally the distribution of corporate profits in a form other than taxable dividends. Specifically, Section 15(2) is designed to prevent the withdrawal of corporate profits in the form of loans to shareholders. If a loan, other than one made for the specific purposes enumerated below, is made by a corporation to a shareholder, it is considered income in the hands of an individual shareholder and a deemed dividend if the shareholder is a corporation.

Some hon. Members: Explain.

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Mr. Peters: The obvious loophole in the present section is that loans not made directly to a shareholder but to a person not dealing at arm's length with the shareholder are not caught by that section. Under the proposed amendments a loan from a particular corporation, a related corporation, or a partnership including the particular corporation, to a shareholder of that particular corporation, a person with whom the shareholder does not deal at arm's length, or a related corporation, will now be loans for the purpose of the section. Those are the comments of students who have looked at this and, as I said the other day, Osgoode students are going to be the government officials of tomorrow. They will replace the ones we have today. It is very good that their professors tell them to use their heads.

The minister is very practical and down to earth. He must know that that gobbledygook is for the birds. These young students have looked at it and have made some suggestions. That gobbledygook is very complicated, but it does not really have to be. It refers to "arm's length" and all that stuff. They say that the changes are a substantial step toward closing the present abuses. Loans from a closely held corporation to the provincial shareholder's wife will now be taxed under the section. Related corporations will no longer be able to lend to a shareholder of a different but related corporation.

The act will still permit corporations to make substantial interest-free loans to officers and employees for the purchase of homes and cars. This is a common method of deriving a