

*Income Tax Act*

encourage Canadians to acquire a greater interest in the resources and the companies of our country. While I am sure he would not expect me to give him a detailed reply on all the things that are being done in this field, I can assure him that this is very much in the mind of the government. When this new piece of legislation was introduced last year—it was not passed until December 4 or 5, if I recall correctly—the government invited the lawyers and the accountants who practise in the tax field to assist, with their suggestions, the staffs of the departments of finance, justice and national revenue in making sure that certain loopholes which had developed, and which could not have been foreseen, I would suggest, would be dealt with in an amendment as soon as possible.

The amendments in this clause which my hon. friend questions on the ground that they are very complicated—and they are—are the result not only of the deliberations of the staffs of the government's own departments, but also of the suggestions made by many, many tax practitioners. The government is in considerable debt to these gentlemen for the way in which they tackled this very difficult problem and for coming forward with suggestions for closing these loopholes. I do not pretend to be, and I know my hon. friend does not believe that I am, the draftsman of this legislation. I think it would be wrong for any minister to try and draft his own legislation. I think it is up to me, as the Minister of Finance, to ask the officials of the government, coupled with any other help I can get, to see that the section is drafted so that people cannot get around it.

While I am not suggesting for a minute that this provision is absolutely foolproof, I do suggest that to my best knowledge quite a considerable number of people who practise in this field feel it will now do the job that we want it to do. While I agree that it is very complex legislation, I would remind my hon. friend that this is not one of those sections in which the ordinary member of the public has any great interest. Corporate finance and corporate organization nowadays is getting more and more complex, and understandably, and necessarily I suppose, any tax laws that one wants to be foolproof are necessarily rather complex too. This clause will be used, or noticed, by a relatively few people in this country—the skilled tax practitioners. They are the ones who will be using this clause; they will be the ones who I hope will be advising their clients that this is the kind of legislation that they cannot get around.

I would like to take this opportunity to say that the intention of this clause, complicated though it is, is to prevent companies

[Mr. Gordon.]

controlled outside of Canada from receiving very substantial benefits indeed unless they comply with certain conditions, and one of the conditions is that they make at least 25 per cent of their equity stock available to Canadians.

Subclause 1 agreed to.

Subclauses 2 and 3 agreed to.

On subclause 4.

**Mr. Lambert:** Mr. Chairman, the hon. member for Perth and I are intrigued with subclause 4 as to why, in line 45, the figure 8 per cent is used. We are wondering whether this is an arbitrary figure, or what is the explanation for the use of 8 per cent? On page 24, line 8, the figure 10 per cent is used. I note that there is a classification of interest here, but why these two figures?

**Mr. Gordon:** Mr. Chairman, I can assure my hon. friend that I am delighted if at any time I can intrigue him and my hon. friend the member for Perth. This has made my evening. As to the questions, certainly these amounts are arbitrary. The figure of 8 per cent which was used in the first place was relatively high; I cannot think of many rates on a preferred share in excess of 8 per cent. With regard to the other example put by my hon. friend, this is the percentage which would apply in the form of a premium on a winding up, and I think there are examples where it could go to 10 per cent. Perhaps some would go higher, but I think they should be excluded.

**The Chairman:** We will now go to subclause 5.

**Mr. Thomas:** Mr. Chairman, with regard to the 8 and 10 per cent, what relation have these figures, if any, to the 10 per cent mentioned under (B) near the top of page 24? That is the 10 per cent; I follow. Then 8 per cent is mentioned again on page 25 under (A) and (B).

**Mr. Gordon:** That is the same. It is the highest rate which would be allowed on a preferred dividend.

**The Chairman:** Shall we go to subclause 6?

**Some hon. Members:** Carried.

**The Chairman:** Subclause 7?

**Some hon. Members:** Carried.

**The Chairman:** Subclause 8?

**Mr. Knowles:** Mr. Chairman, because this is the last subclause in the bill I wonder whether the minister, either now, on the title or on third reading, would answer the question I put to him when we were on second reading. He will recall that I asked