One of the changes makes it clear that the taxpayer must use the entire proceeds of disposition for replacement. It also makes it clear that the taxpayer must use such proceeds and not anyone else, because there was a practice under which you could apply for some discounts on the amount of the proceeds and acquire the benefit of that fund if you are going to build a ship and take the benefit of that and apply it on the price. You would get the assignment of the proceeds, subject to a discount, for less than the full amount. The last provision is that in the alternative to use proceeds, the taxpayer may put up a deposit and has the right to sell this deposit to other persons and relevant proceeds of disposition may be used by such other person on terms satisfactory to the minister to acquire a vessel or to pay for a conversion. This is stated very interestingly to be an effort to close a loophole. I am not sure it is a loophole. I am sure what was intended at the time was to do everything possible to encourage the construction and give the shipyards business and provide work.

I should tell you in passing that clause 18, which amends section 79 of the bill, and is found on page 27 of the old bill and page 31 of the new one, simply excludes unrealized capital gains from the taxable portion of receipts of the employees' profit-sharing plan. Likewise, clause 19 of the bill on pages 27 and 28 of the old bill and pages 31, 32 of the new bill means the amounts received from the trustee on winding up a registered supplementary unemployment benefit plan. When the money goes back to the employer it is made part of the employer's income.

I think this is a good note on which to close. There is a very innocent clause, No. 14. This might be entitled Crown Companies. You will find it in the old bill on page 13 and in the new bill on page 14. It amends section 62(c)(i), to exclude from exempt status a corporation not less than 90 per cent of shares which are held by Her Majesty, a province or municipality where some other person has a right to acquire the shares at a later date under an option or a contract. This is directly dealing with a situation which has developed in Newfoundland in connection with the agreement that was made with—I have forgotten the name.

Hon. Mr. Croll: Sheehan.

Hon. Mr. Hayden: I think it is Sheehan. This was an agreement that was made so as to pass on, by virtue of an option or a contract, the benefits which originally were being enjoyed when these operations were being carried on by a Crown company. This is, shall we say, to remove the benefit of exempt status, if that is an attractive feature which might otherwise be enjoyed by the use that was being made of the Crown companies in this operation.

I have not dealt with all these items. Maybe you will say that I have dealt with too many of them, but I felt that in the general amendments to the Income Tax Act, other than life insurance, that if they were important enough to be specifically mentioned in the budget, I should touch on them. I am not touching on the consequential ones or the technical ones, because they are there to read and they do not make material changes in the law. I am sorry that it took so long to do this review. I assure you that I would have preferred to have taken a shorter time. There is no other way in which I could have figured it out so as to give an explanation of what the life insurance provisions are, the application of the various taxes to their operations and how they work.

This is a very important piece of legislation and will be productive of very substantial revenue. It is most interesting to the people of Canada, because so many of them are policyholders and they do not want anything untoward occurring to their companies. Yet this bill, I suppose, puts these companies more in line with the general corporate scheme of taxation. Although there may be some argument, I think it is not for me to urge it at this time, in connection with the taxation of investment income in the form in which it occurs. The form is really leaving the tax on the company, although the benefit, if any, is in the policyholder's account, and he is entitled or will ultimately be entitled to it. I suppose that if the company has to pay it, in some way or another it is bound to affect the cost of insurance, or shrink the profits of the insurance companies operation.

While we may say insurance companies are big and can stand all these things, one has to remember that, over the years, and particularly during the war years, these companies made a tremendous contribution as a source and fostered investment in Government bonds in a very substantial way. In other words, they have carried their load in every way as good corporate citizens.

Hon. Mr. Connolly (Ottawa West): And in the private sector as well.

Hon. Mr. Hayden: Yes; in the private sector and in industrial development. We should not