The CHAIRMAN: If he takes what he puts in plus a surplus, then he is taxed on it. This does not relieve him from paying on that?

Mr. GAVSIE: That is right.

The CHAIRMAN: That is clear, is it not?

Some Hon. SENATORS: Carried.

Hon. Mr. McKEEN: Before the section carries, there is one question which I think should be clarified. There is some difference of opinion on the point of par value shares. If any opinion went out from this committee and outsiders did not hear this discussion, they might get the idea that any share could be redeemed instead of those shares that are not participating in the surplus.

Hon. Mr. HAIG: Let me explain that. If a company is incorporated with the power to redeem common stock at par, then under this provision I would say they would pay no tax, but if there is no provision in the Act of incorporation and they redeem common shares, then it would be presumed they had got their shares out of the surplus.

Some Hon. SENATORS: That is right.

Hon. Mr. HAIG: That is the law.

Hon. Mr. McKEEN: That is clear.

The CHAIRMAN: Shall section 24 carry?

Some Hon. SENATORS: Carried.

Section 24 was agreed to.

The CHAIRMAN: Next is section 25 on page 16.

Mr. GAVSIE: The effect of this amendment is to omit the words "in Canada". The section is to be rewritten and the words "in Canada" are to be deleted. This section, of course, relates to employer's payment to pension plan. It has to do with a special payment by an employer in respect to past service benefits which he purchased for employees, and it is not limited to payments made in Canada.

Some Hon. SENATORS: Carried.

Section 25 was agreed to.

The CHAIRMAN: Next is section 26 on page 17.

Dr. EATON: Gentleman, this clause is similar in principle to the one discussed the other day relating to the amount paid into a pension fund in excess of $900. You will remember we discussed that the other day. This provides for an abatement on the taxation of a pension where an amount is paid in for arrears in excess of $300, which was the allowable amount in the past, is paid in. It avoids double taxation on the pension when it comes out.

The CHAIRMAN: Next is section 25 on page 16.

Hon. Mr. HAIG: It is a relieving measure?

Dr. EATON: Yes.

The CHAIRMAN: Shall this section carry?

Some Hon. SENATORS: Carried.

Section 26 was agreed to.

The CHAIRMAN: Next is section 27 on page 17.

Dr. EATON: Section 27 defines the profit sharing plan which I have discussed at various times here. The principle is that there shall be no postponement of tax. The employer gets a deduction when he makes a contribution into the profit sharing plan. The employee may also be making a contribution. There is no postponement there. The employee is also taxable on any amount