

Income Tax Act

default if they did not make the payment? This is a question which must be answered.

Mr. Pringle: Mr. Chairman, I should like to say a few words with respect to this section. I believe the hon. member for Edmonton West has missed the main point made by the hon. member for New Westminster. While we are all in sympathy with the predicament in which the B.C. Teachers' Federation retirement savings plan is involved, we have all been well briefed and have thoroughly discussed this matter on behalf of the teachers' federation. We must also realize that by virtue of the fact that it is a change or a departure from a previous list of the type of investment which can be accepted by the Minister of Finance, there are also such organizations as the B.C. central retirement savings plan and there will be others.

With regard to the time element, I think we all understand that the proclamation of the bill will not be made on the day the bill is passed. This will give the Minister of Finance plenty of time in which to hear submissions from various other organizations. I am quite confident that the B.C. Teachers' Federation would be sympathetic to similar types of organizations in other parts of Canada which may have within their organizations the criteria to obtain agreement from the Minister of Finance that a change should be made and that they should be included as well. I think this is the vital and important feature to be considered.

Amendment of the bill on behalf of the B.C. Teachers' Federation retirement savings plan would be acceptable, I presume, so far as we are concerned. It certainly would be so far as I am concerned and so far as my colleagues are concerned. We feel, however, that the more appropriate way would be to provide them with the necessary legislation through regulations subsequent to the passage of this bill. Therefore, I would support my colleague from New Westminster and I should like to assure the B.C. Teachers' Federation that we certainly feel, after exhaustive examination and discussion, that this is a better method by which to bring about a solution to the problem and to provide them with the necessary machinery so that they will be able to carry on without any problems in the interim. I would therefore hope we can continue on that basis on behalf of the federation.

Mr. Anderson: Mr. Chairman, I shall be brief because the hon. member for Edmonton West, the hon. member for Fraser Valley East and I all heard the same representations from what one might call, in all kindness, a very good lobby group and we might all say much the same thing. The question of the slowness and the uncertainty which has been raised is something which hits just about every other group affected by this section.

Candidly, I cannot see that it is a serious objection. I should like to point out that the particular plan we are talking about is one which is financed out of the pockets of the teachers who contribute. It is not the situation of a company or its employees contributing to a fund which they in turn—although they call it a retirement fund—use for the purpose of the business of the company. This is not a device to do something outside their control; it is a legitimate way of protecting themselves for the future, after retirement. I am sure many members know that

[Mr. Lambert (Edmonton West).]

until very recently the provisions for the retirement of teachers in British Columbia and Alberta had been very poor.

The hon. member for Fraser Valley East raised the point that the British Columbia central retirement savings plan, which is substantially the same as the B.C. Central Credit Union, has exceptions in respect of the regulations for the British Columbia teachers. Will those exceptions apply in a generic sense to other organizations just the same as to the British Columbia central retirement savings plan and other such schemes?

I quite agree that the government is correct in its attempt to plug the hole in the income tax regulation whereby it is possible to put money into a retirement savings plan, lend it back and have it used by the company and thus be a device by which to get around the tax law. In at least these two instances, however, I feel the people have acted in good faith in setting up such a scheme.

I should like to know exactly what the proposals are in respect of the regulations and whether not only these two but similar organizations might be involved. While we have talked consistently about the B.C. teachers' retirement pension plan, there is a similar plan in operation in the province of Alberta. This is not strictly a matter of personal interest to British Columbia, in my opinion: we are dealing with an issue which is general to the country at large. I promised to speak briefly, Mr. Chairman, and I trust I have done so.

Mr. Kaplan: Mr. Chairman, I should like to add a word of dissatisfaction on my own part with the way in which the government proposes to deal with deferred profit-sharing plans which are in effect, which have been in existence and under which in many cases very considerable contributions have been made. Under the present law a deferred profit-sharing plan is an extremely attractive way in which to save for retirement. The employee of a company makes contributions and at retirement, under the present law, he has been able to draw out the substantial sum that has been built up during his working career and invest it in a small business. In the case, for example, of the Simpsons-Sears deferred profit-sharing plan, this is frequently done.

The proposals in the bill before us permit continued favoured treatment to the pay-out provided that the retiree invests his savings in a pension. If he continues to do what has been traditional in the past, that is, if he takes the money out and invests it in a business or in other capital assets, it is taxed at an extremely heavy rate compared to the previous treatment it enjoyed. I would ask the parliamentary secretary to the Minister of Finance to give consideration to the possibility of permitting this continued favourable treatment for investments in preferred profit-sharing plans, especially when the assets are withdrawn and used for investment in the capital assets of a business.

• (8:30 p.m.)

It is one thing for someone who has saved all his working life in a deferred profit-sharing plan and who retires, draws the money out and spends it on improving his home or in some other form of consumption, say in retirement