

Proceedings on Adjournment Motion

first order of business tomorrow. I understand that this motion will pass without any debate.

Next, we will resume the committee stage of the bill to amend the Farm Credit Act, and when that is concluded we will take second reading of Bill No. S-26, an act respecting the commission to establish and administer Roosevelt Compobello international park. When this is concluded, we will take the second reading of an act to amend the Export Credits Insurance Act. If any time is left over we will consider Bill No. S-10, which was passed in the Senate, to provide for the establishment of harbour commissioners.

Mr. Churchill: Is that for Wednesday and Thursday?

Mr. MacNaught: Wednesday.

Mr. Churchill: There is still uncertainty about Thursday, then?

PROCEEDINGS ON ADJOURNMENT MOTION

(Subject matter of questions debated under adjournment motion.)

A motion to adjourn the house under provisional standing order 39A deemed to have been moved:

INCOME TAX—HOSPITALIZATION PLAN PAYMENTS BY EMPLOYERS TREATED AS INCOME

Mr. Stanley Knowles (Winnipeg North Centre): On Monday, June 1, Mr. Speaker, as recorded at page 3793 of *Hansard*, I asked this question on the orders of the day:

Mr. Speaker, may I direct a question to the Minister of National Revenue? My question is based on information that came to light over the week end. Is it true that the government is now treating payments made by employers to government hospitalization plans as taxable income in the hands of the employee, even though this is not being done with respect to payments made by employers to private hospitalization or medical plans?

Mr. Speaker thought that there was not sufficient urgency in the question for it to be dealt with on orders of the day so I gave notice that I should like to ask it in one of these adjournment periods. I am in the position at the moment of not knowing what the minister's answer to my question is, as to whether or not this change has been made. But in view of the reports that suggest that this sort of taxation is to be applied, perhaps I had better use the minutes that are at my disposal to state my reasons for suggesting this is a change that should not be made.

[Mr. MacNaught.]

First of all, Mr. Speaker, may I point out that it has been the policy of successive governments to extend the exempting of payments for social security benefits so far as income tax is concerned. These exemptions, particularly with regard to payments made by employers, are spelled out in section 5, subsection (1), paragraph (a) of the Income Tax Act. I find on doing a little research that that paragraph has been amended several times and each time the list of exemptions from income tax has been extended. As I read the paragraph at the present time all the benefits that an employee may derive from his employer's contributions to social security plans of one kind or another are exempt from taxation. Now, however, we are led to believe that payments made by employers for hospitalization plans in a province where payments are made by taxation are to be made subject to federal income tax.

This means, as I understand it, that employees whose hospitalization is paid for them by their employers in Saskatchewan, Manitoba, Ontario and Prince Edward Island will have these amounts added to their income, and hence the result will be an increase for their income tax, starting for the year 1964.

Quickly and briefly, Mr. Speaker, there are four points I want to make. First, this is a reversal of the trend in which successive governments have moved. I have indicated that by referring to the amendments which have been made to section 5(1)(a) of the Income Tax Act. I think this reversal would be a retrograde step.

The second point I want to make is that if employees are going to have to pay income tax on what their employers pay for them into government hospital plans, but are not required to pay it on what their employers pay into private hospital plans, the government immediately sets up a discrimination between these two kinds of plans. I suggest that kind of discrimination is most unfair and that it will lead from one inequity to another.

The third thing I want to say is that this proposal, if it is being carried out, will establish unfairness as between provinces. It seems to me to be manifestly unfair that employees in the four provinces I have named will have to pay income tax on what their employers pay for them by way of hospitalization benefits, whereas the employees in other provinces will not have to do so.

There are national employers in this country who have employees in all ten provinces, and there are cases where employers treat their employees alike in all ten provinces, yet