

employees on an equitable basis. In addition, he said that this was a matter that had been called to the attention of the Government by the Canadian Institute of Chartered Accountants which is an independent body. Chartered accountants are not directly concerned with it, but in their examination of accounts, they see that these stock option agreements do exist in some cases and not in others.

**Hon. Mr. McCutcheon:** By and large, they are not eligible for them. That is jealousy.

**Hon. Mr. Leonard:** That is true, but I do not think you can say they were selfish in the representations they made.

Senator McCutcheon made something of the fact that this was not referred to in the budget speech. The minister answered that very frankly indeed when he said that this particular resolution was not introduced because of any fiscal situation. It was not introduced to increase the amount of money that the Government might take as a result of the change. It was introduced solely for the purpose of removing a discrimination in taxation, and the minister did not think it was of such importance that it needed special mention. He did not realize it extended as widely as he found out afterwards it did; and said that had he realized that, having regard to the events that took place after the budget speech, he would have explained it on budget night. That is, I think, a very satisfactory explanation.

Up to now Canada's treatment of stock options from the tax standpoint, on the whole, has been more favourable and more generous than that of the United States. I presume that had we adopted exactly the same tax as is imposed in the United States we would still have heard a great many complaints because we would, in fact, be increasing taxes in Canada. We have put it on a much more equitable basis by treating it as income and gauging it against the taxable income over a three-year period. The United States, on the other hand, has treated it more as a capital gain.

Honourable senators, after listening to the minister I am quite convinced that the legislation under which we have been operating up to now gave too generous a treatment to the kind of deferred remuneration which an employee was able to get under a stock option plan, when compared to the treatment of the remuneration that the ordinary salaried employee receives. I propose to vote against the amendment.

**Hon. M. Wallace McCutcheon:** Honourable senators—

**An Hon. Senator:** Question.

**The Hon. the Speaker:** Honourable senators, with leave of the Senate, it is moved by the honourable Senator Connolly, (Ottawa West), seconded by the honourable Senator Leonard, that this bill be now read the third time.

In amendment, it is moved by the honourable Senator McCutcheon, seconded by the honourable Senator Macdonald (Cape Breton), that this bill be not now read the third time, but that it be amended as follows:

Strike out clause 9.

Is it your pleasure, honourable senators, to adopt the motion in amendment?

**Hon. Mr. Choquette:** Honourable senators, I think there would be unanimous consent to allowing Senator McCutcheon to speak.

**Hon. Senators:** Agreed.

**Hon. Mr. McCutcheon:** Honourable senators, I am not going to presume on your generosity. I want merely to make one or two comments. One is that this plea of inequity leaves me completely cold. There are employees who have their entire medical services and hospital insurance and other benefits paid for by their employers. They are not taxed on the value of those benefits. There are other employees whose employers provide none of those benefits, and if those employees desire them they pay for them themselves.

Nobody who has ever looked at the Income Tax Act—and I do not have a copy here, otherwise I would hold it up—has suggested that it is equitable. It contains the most complete set of inequities from the first page to the last that there is in any legislation in Canada.

**Hon. Mr. Connolly (Ottawa West):** It has been there a long time.

**Hon. Mr. McCutcheon:** Yes, since 1947. I hope that the Carter Commission—and I do not think it could be a centennial project—

**Hon. Mr. Connolly (Ottawa West):** It would be a very worthwhile one.

**Hon. Mr. McCutcheon:** Yes.

I do not accept that argument at all. Nor do I think that Senator Hugessen was being fair when by implication he suggested I was