

*Income Tax Act*

**The Chairman:** That will be for the purpose of discussion only, and then the whole clause will be carried at once?

**Mr. Fleming:** There will be amendments to some of the clauses and I do not know whether it would be more convenient to vote, if necessary, on the subclauses. I think it would make for more orderly procedure.

**Some hon. Members:** Agreed.

On clause 3—*Subclause (1)*.

**Mr. Fleming:** While this does not directly involve the matter of deductions and contributions to pensions by self-employed persons in well recognized groups, I think it would be desirable if, after the discussion there has been on that particular subject, the minister had something to say about it. It was mentioned on second reading and in the general discussion on clause 1. This particular clause does relate to the same section of the act, section 11, in relation to deductions and pension contributions. I wonder if the minister would not say something on this subject because it is a matter, as he well knows, of widespread interest. There have been many representations made to him by well recognized professional groups and others, whose pleas have been before the department for some years, and I would respectfully suggest there should be some statement from the government at this time.

**Mr. McMillan:** I want to deal with this for a minute. Earlier this session I had a notice of motion on the order paper, but it could not be reached. It had to do with the vesting of pension rights in the different pension plans presently in vogue in Canada. I am concerned about Canadians who, by their work, have built up an equity for later payment to themselves and who cannot or are unable to meet the number of years of service required or are unable to work to a certain chronological retiring age, or both. The two pension plans are contributory or non-contributory on the part of the employee.

In the latter case, the employers pay the contribution for their employees. These arrangements, of course, are generally the result of a contract or agreement between management and labour. The requirements to meet a pensionable retiring age are necessarily based on a certain number of years of service. I am not concerned with those who are able to meet those requirements but with those who through their service have built up an equity in the non-contributing pension fund or the non-contributing part of a pension fund, who, for one reason or another, have failed by not more than a year or so

to meet these requirements. I realize that the employee in a contributing plan can recover his own contribution, but I am not aware that any employee ever recovers any money paid into the pension fund on his behalf by employers. The amounts of money involved are large and vary, of course, with the different pension plans.

Now, as an example, an employee in a non-contributing plan who just falls short of being eligible for a pension of \$100 a month at 65 years of age misses a capitalized pension of something over \$13,000. This capitalized amount, of course, varies with the type of plan, the age at retirement, and in a contributing plan of course would be less. I realize that pension plans were started by companies to provide an incentive for their employees to remain in their employment for a number of years and to reward their employees for a lifetime of service. I have nothing but praise for the companies who so reward their employees. You might ask why the government of Canada should be interested in these pension plans.

First of all, the contributions made toward these plans are free of income tax. Our federal treasury forgoes large sums of money by way of income tax collections in respect to the non-contributory plans and the non-contributory parts of plans. In recent years the income tax on the net earnings of large corporations has been in the neighbourhood of 50 per cent. The people of Canada are therefore subsidizing the various pension plans to the extent that income tax is now collected in respect of the contributions toward these plans. The government of Canada should therefore see that pension plans are put to the best possible use for all Canadians generally.

There are various reasons why a workman might not be able to complete his service up to retiring age and thus qualify for a pension. I can think of different medical reasons. One very common reason is coronary insufficiency. A man might be able to do a very light job but if it requires sudden expenditure of energy he will develop cardiac pain and be forced to quit work. Also in industry we get workers with allergies of the skin and of the respiratory system. I have seen workers in a plant where they have changed their process and used different chemicals and gasses develop respiratory allergies or irritations. These men are not actually sick but they are too miserable to continue at their work and they have to quit.

A man might lose his job because of an altercation with his boss. I have also seen a case in a rather small plant where they had a pension plan and when they sold out