

the word "or" at the end of paragraph (b) thereof and by adding thereto the following paragraph:

"(c) 20 per cent of the salary or wages paid in the year to the employee by the employer,"; and

• (6:40 p.m.)

(d) by renumbering subclauses (5) to (8) as subclauses (6) to (9) and by striking out subclause (9) on page 19 and substituting therefor the following:

(10) subsections (1) to (3) and subsection (9) shall be deemed to have come into force on December 21, 1966, and subsections (4) and (5) are applicable to taxation years commencing after that date.

Mr. Monteith: Does the minister have, in a few words, an explanation of paragraph (c) of this amendment?

Mr. Sharp: The hon. member asked about paragraph (c)?

Mr. Monteith: Yes.

Mr. Sharp: Paragraph (c) of this amendment would change subclause 4 on page 17 and introduce a new subclause 5. This is a relieving amendment. The present subclause 4 proposes that a new limitation be placed on the amount an employer may deduct as a contribution to a deferred profit-sharing plan. Under the present provisions of the Income Tax Act, the limit on the amount an employer may deduct in respect of each employee who is a beneficiary under the plan is \$1,500 minus the amount deducted by the employer as a contribution under a registered pension plan in respect of that employee.

The present subclause 4 would introduce a new limit which would be 20 per cent of the salary or wages paid in the year to the employee. The purpose of this present subclause 4 is to prevent an employer deducting \$1,500 in respect of contributions for employees to whom he pays only a nominal salary, such as relatives. As presently drafted, the limitation of 20 per cent of salary would apply to the aggregate of the contributions under a deferred profit sharing plan and a registered pension plan for a particular employee. The amendment to the bill now proposed would make the 20 per cent of salary a separate test that applies only to contributions under a deferred profit sharing plan. This is one of the reasons for my statement to the hon. member for Regina City that this amendment, to some extent, meets one of the objections he raised.

Mr. Ballard: I have one question. I believe when this section of the act was first introduced in 1961, old age pensions became payable at 70. I feel this is the reason that age 71

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appears twice in the section. I was wondering if the minister should be considering making the termination of this plan, in so far as individual employees are concerned, match the date when the old age pension becomes effective? At this time that would be 67, and in two years' time it would be 65 instead of 71.

Mr. Sharp: I understand that age 71 is used to place an outside limit on the time the amount may be paid. It may of course be paid earlier than that, and age 71 had nothing to do with the Old Age Security Act but had to do with registered pension plans or retirement savings plans.

Mr. Côté (Longueuil): I move the amendment.

The Chairman: Shall the amendment carry? Amendment agreed to.

The Chairman: Shall clause 15 as amended carry?

Mr. Fulton: On division.

Clause 15 agreed to.

On clause 16—*Extended meaning of drilling and exploration expenses and prospecting, exploration and development expenses.*

Mr. Olson: I should like to have some explanation of clause 16. It deals with the deductions from drilling and exploration expenses. As I understand the purpose of this amendment, one may deduct from these expenses any grants or any payments that are made under the northern mineral exploration assistance regulations. I am wondering if the minister can tell us if the result of the amendment would be that a profitable company which would be paying taxes would, in fact, have to reduce the total amount of grants that may be paid under the northern mineral exploration assistance regulations in completing corporation income tax payments for the year? If that is a correct assumption, then I have one or two other questions to ask.

Mr. Sharp: Mr. Chairman, as the hon. gentleman has pointed out, this amendment provides that drilling and exploration expenses, prospecting and development expenses of a taxpayer will be reduced by the amount of any grant received by him under the northern mineral assistance regulations, and will be increased by any repayment by the taxpayer of such grants. The northern mineral exploration assistance grants are grants paid to assist exploration for oil and minerals in northern