

concerned, and I would wonder what the Government was going to do. I would wonder, in the light of the statements made on March 29, why we did not have some resolutions on those statements, but of course we have not, and we are told that even the Department of Justice is having a little trouble writing down the rules.

The real fact is that in both the deferred profit-sharing plan and the stock options, to which I am going to refer shortly, a few abuses were found. A few abuses will be found under any system you can mention.

I am greatly disappointed, and I do not feel that it does justice to the present Minister of Finance, using a sledge hammer to hit a fly. Let him close the gaps, but do not let him destroy the basis of the whole thing.

Honourable senators, I have given my views about the ineffectiveness of the budget for the reasons that the minister gave for his refundable tax and his change in the personal income tax, because in terms of dollars and cents they are not going to affect anybody seriously.

Now I want to come to this new clause 9, numbered clause 10 in the original bill, respecting stock options. What the minister has done here, in effect, is to say, "If you are deemed to have taken a benefit you are deemed to have received a benefit"—I hope Senator Hayden will correct me if I do not describe it properly—"and as a result of a stock option from your employer you may now elect to have that benefit taxed at the average effective rate of tax that you have paid over the past three years against your income; but the added benefit which was provided in the former act, of the deduction of 20 per cent, shall now be reduced to \$200." May I ask Senator Hayden, have I described the situation correctly?

**Hon. Mr. Hayden:** Yes.

**Hon. Mr. McCutcheon:** That does not destroy the value of the stock options in this country but it very seriously inhibits them. In the United States you hold a stock option, you hold it over the prescribed period, you have a flat rate of 25 per cent, no matter what the tax is. I have enough experience to know that we will obtain the quality of management personnel that we have to hire in this country from time to time from the United States, only by providing them with

stock options. I also know that the only way we will cut down on the brain drain is to have this sort of incentive for top management people in Canada.

Honourable senators, I do not understand this thing at all. There is no loss to the treasury. As a matter of fact, let us take a company that is giving Jack Jones an option on its stock.

**Hon. Mr. Hayden:** Yes; if he were not an employee there would not be money in the till.

**Hon. Mr. McCutcheon:** I was going to say that they can give me an option on the stock. I know several ways of getting around this, but I do not like getting around things. I just object to it. The treasury is losing nothing. I do not understand this at all, except as a reflection of a bureaucracy which resents people in business making money—and we will suffer from it.

Honourable senators, we are complaining about the brain drain. You need only go to the Parliamentary Library and ask for the literature on deferred executive compensation dealing with this principle and you will find many volumes in the United States. But what are we doing at the same time we are complaining about the brain drain? If you were 30 years old and were comparing jobs, would you stay in Canada under that situation?

Honourable senators, you will notice that I have not dealt with the details of the bill. I am hoping we will have the opportunity to talk to the minister about them tomorrow.

As far as any n.r.o. companies are concerned, I have a few points that I am sure Senator Hayden will not agree with. I am wondering why we should give them special exemptions at all. We are obviously closing in on them and it may be that the time has come to do away with them.

**Hon. Mr. Hayden:** But they are not doing away with them.

**Hon. Mr. McCutcheon:** I am saying that I think the time is coming when we should do away with them.

I regret that the Minister of Finance, in his budget speech, failed to repeal the sales tax on production machinery. I admit that he is going to do it over a period. The time to have done it was on March 29 if he is serious about preventing inflation and about keeping