

Income Tax Act

refrigerators was a benefit or an additional benefit, where does the difficulty arise?

Mr. Harris: As I have already said three times, the difficulty arises in that the income tax appeal board has thrown doubt on the use of the words "or other benefits". They have suggested that these words relate only to board and lodging or something like board and lodging and not to refrigerators or something completely different from board and lodging.

Mr. Nesbitt: In view of what the minister has just said, would he say that the suggested wording of the act would go so far as to say that employees in factories and so on would be charged income tax on their Christmas turkeys or something like that?

Mr. Harris: Of course not.

The Chairman: Is the committee ready for the question?

Some hon. Members: Question.

Mr. Zaplitny: I want to ask one other question. Further down in the same clause we read these words "received or enjoyed by him in the year in respect of", and so on. What is the distinction between the words "received" and "enjoyed"?

Mr. Harris: I have only a layman's knowledge of this matter. These words have been part of the act for some time. I think "received" and "enjoyed" are synonymous terms that have been part of the taxing statute since I have known of it. But I will look up the definition in order to see whether there is anything unusual in it.

The Chairman: Is the committee ready for the question?

Some hon. Members: Question.

The Chairman: Those in favour of clause 1 will kindly rise.

Clause agreed to: Yeas, 59; nays, 26.

Mr. Monteith: Just in passing, I wonder if the Minister of National Revenue would now send a directive to all his district offices instructing them not to change their present method of assessment in any manner whatever?

Mr. McCann: We will wait until the act is passed.

On clause 2—*Supplementary unemployment benefit plan.*

Mrs. Fairclough: I wonder if the minister would give us an example of what is meant in clause 2, paragraph (1), with specific reference to the term "with whom the taxpayer does not deal at arm's length". In what way

[Mr. Zaplitny.]

would an employee's profit sharing plan benefit the employee through—I suppose it is a subsidiary corporation that the minister means?

Mr. Harris: Yes, there are other references later in the bill to a situation in which one corporation might make a contribution to a subsidiary corporation and that is described in the words, not being at arm's length.

Mrs. Fairclough: For the purpose of profit sharing?

Mr. Harris: For the purpose of the pension only.

Mrs. Fairclough: But this says profit sharing.

Mr. Harris: And profit sharing, yes.

Mrs. Fairclough: Does the minister have a specific instance in mind? Could he describe one?

Mr. Harris: If a parent company established or had a profit sharing plan and desired that a subsidiary would also have such a plan, it might find it convenient to make a contribution to the fund in the first place, and the purpose of course of this clause is to tax the amount received should that fund pay money back to the taxpayer which, when it had been paid in, was tax exempt.

Mrs. Fairclough: Well, the taxpayer would not pay anything into a profit sharing plan.

Mr. Harris: That is the point; if you had an employee's profit sharing trust, and out of that trust moneys were paid back to the taxpayer—we do not anticipate it, but if it were it should be taxable then because it was non-taxable when it went into the trust fund.

Mrs. Fairclough: Taxable in whose hands?

Mr. Harris: In the hands of the corporation. Clause agreed to.

On clause 3—*Employer's contribution to pension fund.*

Mr. Fleming: May I make a request on a matter of procedure? Clause 3 has 10 subclauses to it and I wonder if, for convenience, seeing they relate to such a wide variety of matters and many of them quite dissimilar, you would call the subclauses in order? I think that will make for a more orderly procedure.

Mr. Harris: I agree because I have a number of amendments to move to the various subclauses.