such as a house which is no longer their principal residence and they rent it, plus a summer cottage, the property would be subject to capital gains. If it is left here, is it the requirement of the minister, under this provision, to hypothecate, to make some charge, or to leave this property in part as security for any capital gains the individual may have?

What about Canadian military personnel who are posted abroad as military attaches or who are seconded to commands? What about personnel in the foreign service, either in trade commissions or in the consular service? How are these people affected? It might be to the advantage of an individual to sell his house if he should be posted abroad for five or six years. He may decide to sell his house.

**Mr. Turner (Ottawa-Carleton):** If he elects to defer the tax on the realization until it is sold, then of course I say to the committee he would have to post the necessary security, as the hon. gentleman suggested.

**Mr. Lambert (Edmonton West):** Mr. Chairman, since this act has been in force for some 15 months, I am wondering whether the minister has any information from his colleague, the Minister of National Revenue, concerning just how many worms are being found in Canada with regard to this particular part. I refer to Canadians leaving this country and having a deemed realization.

**Mr. Turner (Ottawa-Carleton):** I am advised it is a pretty clean can, Mr. Chairman.

Clause 9 agreed to.

• (2100)

On clause 10—*Where option expires.*

**Mr. Turner (Ottawa-Carleton):** Mr. Chairman, the hon. member for Edmonton West has asked me for an explanation. This clause is simply a consequential technical amendment to amend the subsection in line with the amendment of subparagraph 65(15)(v) which is made in subclause 18(5).

**Mr. Lambert (Edmonton West):** What is the effect of it? It refers to "an option to acquire shares of the capital stock of a corporation in consideration for the incurring, pursuant to an agreement"—which is described in another subsection—"of any expense described," and so on. I would like to know what the effect of such an option, or the expense, would be.

**Mr. Turner (Ottawa-Carleton):** If hon. members turn to clause 18(5) they will see that this, again, is a technical, relieving amendment to the subparagraph to which I have referred, which presently provides that certain exploration and development expenses incurred for shares in Canada, pursuant to an agreement in consideration for shares of a corporation, will constitute Canadian exploration and development expenses.

The changes made to this subparagraph by reason of subsection 18(5) of this bill are the following: The benefit of this subparagraph is widened to encompass all taxpayers instead of only principal business corporations. The amendment makes clear the requirement for shares which are issued as consideration for the incurring of exploration and development expenses are those of the corporation which is a party to the agreement and not those of some other corporation. The amendment makes clear that the phrase "after 1971" applies to when the expenses were incurred and not to when the agreement under which the expenses were incurred was entered into. The amendment also makes clear that it is expenses incurred pursuant to the agreement for activities or acquisitions specified in the amendment that constitute Canadian exploration and development expenses, and not amounts paid for the shares. Obviously, the option for those shares that are related to exploration and development will fall in the same way as the allocation of the shares themselves.

Clause agreed to.

On clause 11—*Convertible properties.*

**Mr. Turner (Ottawa-Carleton):** Clause 11 is another relieving amendment to section 51 of the Income Tax Act. This amendment removes the restriction that only preferred shares qualify as convertible properties eligible for roll-over treatment, and extends such treatment to common shares as well. As a result, it is now possible to convert one common share to another class of common shares under the protection of roll-over treatment. It has made it easier for companies to take advantage of special rules for distributing pre-1972 surpluses.

Clause agreed to.

On clause 12—*Idem.*

**Mr. Turner (Ottawa-Carleton):** Clause 12(1) relates to the cost of property acquired by a non-resident. The amendment has a new subsection 52(1.1) to give a cost of the specified property of a non-resident which otherwise would have no cost. Without such a cost, the property when disposed of would attract capital gains tax on the full amount of the proceeds of the disposition.

Clause 12(2) relates to the cost of property transferred by trustee under employees' profit-sharing plans. It is an amendment which is consequential to the changed tax treatment of the distribution of property from employees' profit-sharing plans which is proposed in clause 49 of this bill.

Clause 12(3) is, again, a technical amendment. It ensures that the untaxed half of capital gains can be passed on to beneficiaries tax free, from when they are distributed on a current basis.

Clause agreed to.

On clause 13.

**Mr. Turner (Ottawa-Carleton):** Clause 13(1) relates to clause 22 of the bill which introduces in section 80.1 of the act special rules in respect of property, or a business taken over by a foreign government in exchange for government bonds or other securities referred to as expropriation assets. The consequential amendments to section 53 which are set out in subclauses (1), (2) and part of subclause (4) of clause 13 provide the necessary changes to the adjusted cost base of expropriation assets for the purposes of the provisions of the act relating to capital gains.