

Estate Tax Act

the Income Tax Act, as the hon. member stated. This was on May 6, 1964, beginning at page 2990 of *Hansard*. There would really be very little effect on estates in Ontario if the motion put forward by the hon. member were adopted and were put into the Estate Tax Act. If the federal government were to extend the payment period over five years, it would really have little effect on the payment of total death taxes in Ontario. In backing up this argument, Mr. Speaker, I would like to point out that with regard to Ontario, Quebec and British Columbia the federal government collects only 25 per cent of the death duties. The other 75 per cent of the death duties which are paid by people in the provinces of Ontario, Quebec and British Columbia are not even levied under a federal act; they are levied under provincial statute.

In the province of Ontario they are levied under the succession duty act, and there are similar acts in Quebec and British Columbia. In the other seven provinces the duties are levied under the federal Estate Tax Act and a 75 per cent rebate is made to the provinces. But in the province in which the hon. member for Wellington South resides, 75 per cent of the duties—that is, when the present legislation assigning 75 per cent to that province is completed—will be collected by the province of Ontario. So if somebody has \$100,000 in death duties to pay, he will only be paying \$25,000 of this amount to the federal government. Therefore if we adopted the hon. member's suggestion and spread it over a five-year period, it would mean that out of a total of \$100,000 he would have to pay \$75,000 in cash to the province of Ontario within six months, and the other \$25,000 to be paid to the federal government could be spread over a five-year period. I believe the action proposed by the hon. member would be much more effective if he would go to his Conservative confreres in the province of Ontario and persuade them to change the succession duty act so that succession duties in that province were paid over a five year period. This would be of much more benefit to his constituents and to mine than incorporating his suggestion within the Estate Tax Act of Canada.

I stated on May 6 when this question was raised by the hon. member for Brome-Missisquoi (Mr. Grafftey) that there had not been a great deal of evidence brought forward to the Department of National Revenue indicating that businesses had actually been disposed of because people had had to pay estate taxes. I have checked with the Depart-

[Mr. Benson.]

ment of National Revenue and am told that this is still the case; that people have not come forward and said, "Well, if we have to pay our estate taxes we will have to sell our business". I am sure that if people had had to dispose of their businesses in order to pay estate taxes they would have gone howling to the Department of National Revenue. However, I have checked and am told they just cannot find specific cases. As I have stated before, the problem has been considered for a good many years by the Department of National Revenue under the previous administration and the present one. The difficulty is to find evidence of hardship, for someone to present to them specific cases where this has occurred. Companies often change hands. In my experience as a chartered accountant I have found that businesses change hands as the main shareholder gets older, for a good many reasons. I might just indicate a few of the reasons why.

You often find that a business has developed because of the forceful management of one particular individual. This individual fears, as he gets older, that his heirs will not be able to carry on the business in the same forceful way, and he may turn around and sell the business. In addition, in the case of companies these days we find that some small business operations are making such a profit that serious income tax problems develop. They are operated as private companies, and we often find with regard to them that there is a build-up of retained earnings on which income taxes have not been paid. Provisions have been written into the Income Tax Act to try to deal with this particular problem. However, all the provisions which are contained in the Income Tax Act have not really created a situation whereby on the death of a businessman the money can be taken out of the business easily, or if he wanted to take the cash out during his lifetime this could not be done without paying very sizeable amounts of personal income tax.

I have found that many businesses are disposed of in order that the individual may realize a capital gain rather than having to continually face this income tax burden. To these people this is much more important than the succession duties burden on their death. As I have previously stated, and as I stated during the debate on May 6, the Minister of Finance (Mr. Gordon) and the Prime Minister (Mr. Pearson) have indicated that