

*Income Tax*

avoid paying taxes. I wish we could get off these pleas which we have heard all day for more concessions and more loopholes for people who already have more than enough.

I should like to discuss the problems of the people who cannot save money and those who can save a little but cannot afford the high-priced lawyers and accountants who give advice to people with money on how to avoid paying taxes.

Organizations such as the National Council on Welfare have documented evidence that large numbers of people in this country get away with paying little or no tax because of the loopholes in the tax laws. In 1978, approximately 2,316 people with assessed incomes of more than \$50,000 did not pay any tax at all and 96 of them had incomes exceeding \$200,000. In 1979 the Government lost more than \$30 billion in revenue as a result of tax loopholes.

I wish we were not spending our time discussing ways to find more tax loopholes, which is what my friends from the Conservative Party are trying to do, but instead discussed ways to plug loopholes. People with money should pay their fair share of taxes and thus lighten the burden on people on low and middle incomes who do not have the money to invest or hide and who pay more tax than they should because they do not know how to avoid it.

**Mr. Hawkes:** Mr. Chairman, I am glad that the NDP has joined the debate. I think that Members of that Party are missing the point. What we are concerned about is the small Canadian who is being hurt by particular parts of this tax Bill. If the Hon. Member listens carefully perhaps we can identify some of those areas for him.

May I ask the Minister to reconsider the issue of court ordered asset splitting in relation to matrimonial matters. He knows that quite often in the process of a divorce, the courts order the splitting of assets. The Minister indicated that if the law remained as it is, then at the moment of divorce those people will be liable for increased taxation. This comes at a time when they can least afford it, financially or emotionally.

Has the Minister reconsidered my request for an amendment that would exempt people involved in that kind of forced-family splitting of assets from an increase in taxes? Has that matter been reconsidered, and can we expect an amendment that will remove that negative part of the Bill?

**Mr. Cosgrove:** Mr. Chairman, I will repeat an answer that I gave this morning and on a previous day when we considered that question. I have to remind the Hon. Member that the law with respect to what a judge may do, as it pertains to property rights between spouses at termination of marriage, lies explicitly within the jurisdiction of the Provinces. The Hon. Member is obviously interested in the question because he has quoted statistics on marriage breakup. I suggest that he should address himself to the provincial jurisdiction in his efforts to obtain more humane treatment of people faced with this situation.

Life insurance, annuities, etc., is only one area that is affected by a court looking at a household. A consideration of the whole issue of matrimonial relations and how they are governed upon termination, has presumably to be done in a coordinated way so that it addresses not only life insurance but such things as real estate, family car, etc.

While the Hon. Member's interest is legitimate, I think it is directed to the wrong jurisdiction.

**Mr. Hawkes:** Mr. Chairman, I am not talking about the federal Government taking over provincial jurisdiction but about a federal tax law. I would point out to the Minister that people in the middle of a divorce will have to surrender assets, to use his own term, and will thus be liable for extra taxes.

If we proceed without the amendment which I suggest, then people in the midst of the most difficult time of their lives will be forced to incur an additional tax liability that they cannot afford. I am simply asking whether the Minister will bring forward an amendment in relation to the kinds of assets we are discussing that fall under federal jurisdiction so that the tax liabilities of the parties will not be increased. People do not want to surrender the assets but simply to split them. The technical part of the Bill requires them to surrender before the split, however, and this involves a tax liability which they do not need, do not want and which I do not think is humane. Would the Minister consider an amendment along the lines I have suggested?

**Mr. Cosgrove:** Mr. Chairman, once again, the issue of how assets are dealt with by a court—whether they should be split, apportioned to one or the other, whether to set off one asset against another, falls strictly within the provincial jurisdiction. In designing the rules for settlement, I think they have to take into account not only this law which deals with insurance but the law as it pertains to real property and other assets.

To be consistent, the question should be put to the Government that sets the rules about what happens upon dissolution of marriage.

**Mr. Hawkes:** Mr. Chairman, "consistency" is the operative word. Earlier we were talking about fairness. Does the Minister think it is fair to leave the law the way it is now?

**Mr. Cosgrove:** Yes.

**Mr. Hawkes:** Another issue that I brought out was that of giving people the flexibility to change companies. We have regional insurance companies in Canada, but not all companies operate in all regions, yet we have a very mobile population. If this law passes in the way it is written, and I move, for example, from one region of Canada to another and I wish to change my insurance company, I will be required to surrender my first policy, pay tax on the accrued income, and have less money to invest in the subsequent policy. I will be at a disadvantage as compared to those people who do not move and choose to stay with the same company. Will the Minister consider this matter once again and consider allowing me to change insurance companies without having to pay tax?