

## Estate Tax Act

Alfred D. Hales, Conservative M.P. for Wellington South, puts his finger on the nub of the succession duties and estate tax problem. He told that many small businesses have to be sold to raise the cash to meet the death taxes.

The duties have put more than one modest business on the block. A man builds up his firm, then he either has to liquidate before death to provide the taxation money or his heirs have to sell to pay the taxes.

The succession duties and estate taxes are driving small businesses into the arms of big corporations. That may not have been the original idea, but that is how it works out.

Another editorial—a short one—appeared in *The Independent* of April, 1964:

We have discussed succession duties on these pages before. We have deplored the fact that the law requiring that they be paid within six months is encouraging Canadian businesses to fall into the hands of Americans.

The money derived from succession duties provides the government with only 1½ per cent of its revenue. Yet the sale of businesses to pay these duties is daily allowing more and more of Canada to fall into the hands of foreigners and depriving us all of part of our birthright.

Yet, earlier this year, when Alfred Hales, PC, Wellington South, introduced a bill to allow these payments to be made over a period of five years, the government rejected it.

Perhaps I might mention a letter I received from a private individual who said this:

Some time back the writer read an article in the *Globe and Mail* regarding succession duties, estate taxes, etc. You are so right. To me, any firm which necessarily must sell out for this reason should have cause to be supported by the government.

We have worked very hard and enjoyed seeing our business grow. We started in the basement of our home. Our family and help stuck together and our present shop is 90 feet by 320 feet, and we have taken over another shop 40 feet by 80 feet. We have approximately 140 on our payroll.

The writer expresses his concern about succession duties and about the time when they will have to be paid in cash.

These are all the remarks I wish to make at this time. I hope hon. members will recognize the importance of the situation and express their views. I hope the matter will come to a vote and, if it does, that the subject matter will be referred to the committee on banking and commerce for the further study which I honestly feel it deserves.

**Mr. E. J. Benson (Parliamentary Secretary to Minister of Finance):** The arguments put forth by the hon. member for Wellington South (Mr. Hales) were very strong, especially strong I feel for the complete abolition of death duties. Indeed, I think the present government has done much in this regard from the federal point of view inasmuch as it has

turned over to the provinces 75 per cent of the death duties paid.

First, I think we should have a little background with regard to the sections we are discussing. The sections of the Estate Tax Act dealing with collection of duties are sections 13 to 21. When the Estate Tax Act was passed, there was a change, inasmuch as the executor became responsible for the tax rather than the successor, as was the case prior to the enactment of the act. Section 15 makes provision for instalment payments over a six-year period where a beneficiary is receiving a life annuity. Section 16 is the section to which the motion refers, and I will later quote it in full. This is the section which provides that the minister may make allowance for delayed payment when there is hardship. Section 17(2) provides that an appeal does not stop collection of the tax. Section 18 provides for the payment of the taxes to be met as a debt of the estate, and section 19 provides that there will be 5 per cent interest on the overdue tax. Section 20 deals with penalties, and section 21 with refund of overpayments. The specific section with which we are dealing here, section 16, provides:

Notwithstanding the provisions of this part respecting the time within which payment shall be made of any amount as tax under this part by the executor of the estate of a deceased or by a person as the successor to any property passing on the death of a deceased, where the minister is satisfied that payment of any such amount as tax under this part cannot, without undue hardship or excessive sacrifice, be made within that time, the minister may defer the time for payment of that amount or any part thereof for such period, on such terms and on payment of such interest, not exceeding 5 per cent per annum, as to him seems equitable and proper.

The amazing thing about this particular motion put forward by the hon. member for Wellington South (Mr. Hales) is that he is asking that the minister's discretion be further extended. It seems to me that last year when we were talking about ministerial discretion in order to close up some flagrant abuses under the Income Tax Act there were very, very strong arguments from the opposite side of the house that in no case should ministerial discretion be extended or should more reliance be put upon the minister with regard to the application of a taxing statute. However, be that as it may, I believe that the hon. member's motion is worthy of consideration. Indeed I made statements in this regard on December 9 last and I would refer hon. members to pages 5612-5615 of *Hansard*. I again discussed this particular problem during the debate on the Estate Tax Act—not on