

Income Tax

true that the Government encouraged people to save money? Why is the Government now encouraging people not to save?

Mr. Cosgrove: My officials advise that it is a better instrument for people. The proof of the pudding is that Canadians are buying them. In so far as people saving or not saving, we know it is a mixed issue. Canadians are saving at a record rate. Is that good or is that bad? Does it help spur the economy? Is the use of savings productive? Of course, that is not a matter for the Clause which is presently before us.

Mr. Blenkarn: The Minister said that people are escaping vast amounts of taxation. We have talked about Canada Savings Bonds. Now I would like to direct the Minister's attention to guaranteed investment certificates. He may know that one way to handle small inheritances to children, situations where a grandmother, for instance, wants to look after her grandchildren in her will and leaves them \$500 or \$1,000, is for a trustee to buy a cumulative guaranteed investment certificate, maturing on the child's eighteenth or twenty-first birthday, as the case may be. Why does the Government insist upon complicated taxation of such a GIC? What is the point of it? What is the Government trying to accomplish? Is it fairness by some mythical concept of fairness determined on the twenty-fifth floor of the Place Bell Canada?

Mr. Cosgrove: If a taxpayer wants to pay the tax, he can choose to buy an instrument which pays interest annually. It is really a choice of the trustee in each individual case.

Mr. Blenkarn: Does the Minister not appreciate in the instance I have given him that in order to turn the funds over to the infant, if there is not a provision for someone to give a receipt as a trustee, one must go to court to obtain a court order? When the amount of money is \$500, \$1,000, or \$1,500, to burden the estate with obtaining a court order for a receipt in that amount would be unconscionable. The way these matters are handled is by the purchase of relatively small cumulative GICs running until the birthday of the beneficiary, so that the beneficiary can give the receipt when he or she reaches legal age. Why is the Minister being so stubborn?

Mr. Cosgrove: Mr. Chairman, there are a number of things we should consider in the example. First, the child conceivably would not have any taxable income. Second, if that were the case and we are talking about the very small amounts the Hon. Member used in his example, the child would be able to take advantage of the \$1,000 exemption. Finally, if the difficulties are additional costs because they are required to go through probate or estate procedures governed by provincial jurisdiction, of course the answer is to ask the provincial jurisdiction to try to streamline its operation of court procedures so as to do away with this unnecessary and unproductive cost.

Mr. Blenkarn: The Minister knows better than that. That is, without a doubt, the dumbest answer I have ever received. The Minister is a lawyer. He knows that when a trustee pays money he has to have a receipt and that an infant cannot give a receipt either for income or for capital. To say that the trustee can turn the income over to the child and obtain a

receipt from the child, the Minister knows is not the case in law. The only way the trustee can do that is by obtaining a clearance from the court. The Minister knows that the cost of going to court on a matter of \$500, \$1,000 or \$1,500 is ridiculous. The Minister knows better than that, and to give us the dumb answer that he gave insults this Parliament. To ask a provincial Government to change the estate laws of a Province to accommodate the stupidity of this Income Tax Act is also a dumb answer. Let us get on to something more.

• (1220)

Mr. Cullen: More stupidity.

Mr. Blenkarn: Mr. Chairman, can the Minister tell us what is to prevent people who have large amounts of money and want to buy annuities from going to every other jurisdiction in the world prepared to sell annuities without having the tax on the income of those annuities paid out on an accrual basis? The Minister knows that in the United Kingdom, the United States and in every other country annuities are not taxed on an accrual basis; they are taxed when the annuity is paid. What really prevents people from buying their annuities elsewhere? I really do not want the Minister to tell me that because they are Canadians they have to declare their foreign annuities, because he knows, I know, and we all know that they will not do it and the Government will never collect the taxes.

Mr. Cosgrove: Mr. Chairman, the Hon. Member has admonished me not to say that they are foreign annuities subject to the tax provisions wherever they are held and in whatever country, and I must say that because I would be tolerating or condoning the breach of obligation of some people whom he said do not declare income. Therefore, there is no income realized.

I am told by officials that indeed if you check the records and speak to the Minister of National Revenue you will find income in such cases is declared, as it is, of course, by many Canadians. I would respectfully suggest that if the Hon. Member knows people—I do not know whether they would be clients—not doing that, then he should bring to their attention the provisions of the Income Tax Act.

Mr. Blenkarn: Mr. Chairman, the Minister knows that people will pay tax when they receive the income. What we are talking about is imputed income that cannot be received, that is not received and will not be received. When people have money which the Minister defines as income but which no one else in the world defines as income, they will not pay tax until they receive that income. If the money is coming from a foreign source, they will pay the tax when they receive it from the foreign source. Will the Minister tell me how he expects to collect this? Is not the effect of what we are doing with respect to annuities driving capital out of Canada, forcing people who want this type of investment to go offshore, away from Canada? When they get used to going away from Canada to invest their money, I can assure the Minister they will have lots of other opportunities to do that. Why is this provision in the Act