

Mr. ILSLEY: I do not see any objection to that. I do not know that it has occurred to anyone. Consideration can be given to that before the bill is introduced.

Mr. FRASER (Peterborough West): I think the minister will see what I mean when I say that it should be left to the taxpayer to break down the lump sum and pay one-quarter or one-half if that is more convenient to him. The government wants the money; it has to have it to carry on the war effort, but I think the taxpayer should have the privilege of paying one-quarter or one-half and still have the benefit of the discount as long as he pays up before the due date.

Mr. ILSLEY: I should think so. Offhand, I do not see any objection to that. I would think it was altogether to the good. But consideration can be given to it before the bill is drafted.

Mr. STIRLING: In the case of a taxpayer who is not able to make use of this amendment, and where the amount is set aside until death, will the money so set aside in the estate of the taxpayer be caught by succession duties either dominion or provincial?

Mr. ILSLEY: No. It is a debt owing to the crown, and therefore can be deducted from the value of the estate.

Mr. STIRLING: Then, in the case of the \$3,000, half the tax on which is remitted, at what rate will that tax be calculated on the \$3,000? Will it be calculated on the total amount of that man's income, and will the proportion that \$3,000 bears to that be the rate?

Mr. ILSLEY: That is correct.

Mr. ROSS (St. Paul's): Mr. Chairman, there is a certain matter that needs to be taken up, but I do not know whether this is the appropriate resolution. The minister has said that some consideration is to be given to the taxing of term and life annuities. The matter on which I wish to say a few words comes within a somewhat different category. It concerns life insurance policies. Naturally a man wants to provide for his wife and family, and he has three ways of doing it. He can leave a lump sum; as an illustration, and for easy figuring, let us say that on his death he leaves \$50,000. If he leaves that in a lump sum to his widow, succession duties are payable first to the dominion government and then to the province. Or he could leave to his widow this sum of money payable per month for a term of twenty years. Third, he might

[Mr. G. K. Fraser.]

leave this sum of money payable per month to his widow for twenty years certain and for life if she lives longer.

The situation as it is to-day is this, and I think something should be done about it. If we still take \$50,000 as an illustration, that amount would produce in certain companies \$275.50 a month for twenty years after the man dies. There is no tax on that. There are succession duties payable on it to the dominion government and to the provincial government. I gave the figures on that on a previous occasion. If we take that \$275.50 a month for the twenty years, a calculation is made and it is found that the interest portion only of that which is payable together with the capital month by month for twenty years amounts to \$67.87. That would not be taxable if the woman has nothing else. There would be no tax because there is not sufficient to tax.

I come back to the \$50,000. According to the tables of this company, \$50,000 produces \$243.50 a month for life, with twenty years certain. Succession duties are payable on the \$50,000 to the dominion government, and a smaller amount of succession duties is payable to the Ontario government. There is an income tax payable on \$243.50. Look at the difference. In the one case, where provision is made for \$275.50 a month for twenty years, it means that the widow will have support for that length of time, and, after that, poverty if she lives longer. But where the man provides for her for twenty years certain and for life, income tax is payable on the \$243.50. There is a lot of difference in the tax to be collected, and I would ask the minister if he thinks it fair that this sort of thing should happen, in the interest of general thrift and in the interest of a man taking proper care of his widow and family. In the case where the man provides for the widow for her lifetime and gives her \$243.50 a month for life, she has to pay income tax, which on that amount is very considerable. On the other hand, if the man makes up his mind that his widow will live for only twenty years after he dies, there is no income tax payable. I would ask the minister whether he has taken that into consideration, and, if so, whether he will do something about it.

Take the case of the twenty years monthly payments produced by \$50,000. It is very easy to work out the amount of the interest payment on that. Take two hundred and forty times \$275.50 and the difference between that and \$50,000; divide that by twenty, and that gives you \$806 a year. That is \$67.87 a month. Why is it not just as easy to work out the same thing actuarially in connection with the other proposition—the \$243.50 a month? They