

On section 42—refund.

Mr. HARMER: This provides for the refund of a gift tax within three years of death, when there is no succession duty.

Senator POWER: This would seem to be beneficial. Is it beneficial?

The CHAIRMAN: Yes, it is. By way of illustration, Mr. Harmer, let us assume a man made a gift of \$40,000 within three years of his death, and paid a gift tax on it.

Mr. HARMER: Yes, and when he died, he did not leave enough estate, including the \$40,000, to be taxable. In those circumstances what tax he had paid by way of gift tax would be refunded.

Senator POWER: If he makes a gift a day before he dies, and pays a gift tax of roughly of 25 per cent, would that not go into his estate?

The CHAIRMAN: The point is, if he should die within three years of having made a gift, not leaving a taxable estate including the amount of the gift, then a refund is made of the gift tax. Is that right?

Mr. HARMER: Yes.

Dr. EATON: The reason is that gift tax was put on to prevent evasion of estate tax. So, if there is no estate tax, why a gift tax?

Section 42 agreed to.

On section 43.

Mr. HARMER: This is connected with an earlier section, increasing the period for refunds from two years to four years. This section previously covered both non-resident tax refunds and wage tax refunds; now it is being made applicable only to non-resident tax, and maintains the two-year limit.

The CHAIRMAN: In connection with non-resident tax, you keep the two year limitation as to refunds, whereas for residents it is four years.

Mr. HARMER: Yes.

The CHAIRMAN: Shall I report the bill without amendment?

Some SENATORS: Carried.

Bill reported without amendment.

—Whereupon the committee adjourned until Wednesday, August 27, 1958 at 10.30 a.m.