

*Supply—National Revenue*

outline of some of the salient points connected with the activities of this division. Of course, I would be very glad to answer any questions with which I can deal or comment generally upon any matters to which reference is made during the course of this debate.

**Mr. Godin:** The committee undoubtedly appreciates any indication of a decrease in the cost of operation of a department, especially this one from which most of the revenue is derived. However, there may be a fear that possibly in reducing costs the department is lessening the services which it renders.

Earlier today I had occasion to mention the fact that the tax returns of individuals in northern Ontario, that is the short form return, were directed to the Ottawa office this year instead of the Sudbury office. I should like to know if this has meant a decrease in the staff of the Sudbury office, and if the minister feels that the same service can be rendered to the public by having them correspond with Ottawa to find a solution to their problems instead of going to the Sudbury office. Perhaps the minister would like to wait and give his answer later or perhaps he might like to give it now.

**Mr. Nowlan:** No, I will wait.

**Mr. Godin:** There is another problem which pertains to the estate tax assessment branch. The act, of course, simply states that joint property is considered to be the property of the deceased person, except of course if proper proof of the segregation of ownership is properly given to the department. It has been found in many assessments that the department takes the absolute view that joint property is the property of the deceased in total. I realize that the estate can appeal and attempt to prove that the joint property was not fully the property of the deceased.

I would like to place before the minister a sample case and perhaps the minister will realize how some estates are very much embarrassed by the way the assessment is made by his department. Say a couple in 1920 purchased two lots of land and placed their property as a joint tenancy. Supposing they were worth about \$500. In 1930, as they have been able to save, they are prepared to borrow perhaps \$30,000 or \$35,000 and build an apartment building on those two lots for \$50,000 after getting the loan. From the proceeds of this apartment building, which is in the name of both of them, they pay back the \$35,000. I argue it is joint property because they went into the venture and they paid this sum back from the profits of the property.

Then in 1960 the husband dies and the building is then worth \$125,000 or \$150,000 and the estate is taxed accordingly. I know

[Mr. Nowlan.]

they are told they can appeal and show certain evidence, but I find this rule works unfairly against them. If the husband had died in 1925 when the lots were worth about \$500 they would have been considered his property if the wife could not show she had paid half. You are bound to get an increase in the value of a building, and if a building costs in 1925, say, \$50,000, in 1960 it would definitely be worth around \$125,000.

My argument is that this widow on appeal might possibly be able to substantiate her case, but perhaps the minister could review the matter and the rules and the regulations with regard to assessment relating to properties built with loans. If that loan is repaid from the revenue of the building the person who survives, say a widow, should be credited with the capital which accrues to her and it should not be considered part of the estate of the deceased.

A further problem which troubles many legal firms and estates is this. In the sale of a property after the death of a person there is a refusal to consider as an expense against the sale of that property the sales commission paid to the real estate broker. Many people have failed to realize why that state of affairs exists but apparently it does, and I suggest that the regulations of the revenue department and its method of assessment and so on undoubtedly brings about in many instances burdens to an estate, especially in the case of a widow who is possibly faced with the prospect of retaining what she and her husband managed to save during their lifetime.

**Mr. Hanbidge:** Mr. Chairman, the Minister of National Revenue deserves a certain amount of credit for the efficiency of his department and in the manner in which the staff co-operates with the general public in the matter of customs and excise. I should like to corroborate his statement with regard both to himself and his officials of this particular branch, the taxation division.

I have had occasion to contact him once in a while on behalf of the odd individual who felt he had not been fairly dealt with by the income tax department, and when the minister and his officials got through with that individual in practically every case he felt he was not being charged sufficient penalties, interest and so forth and the department should really charge more.

Having dealt with that point I should like to lay in the minister's lap one of the troubles which has come my way. Some weeks ago I had a letter from a prominent lawyer in Saskatchewan with regard to the estate tax branch. In the eastern part of the province,