

Income War Tax Act

very clear. I should think that the application of that principle would disqualify payments on government annuities. It might also disqualify payments on various other annuity contracts. I would not want it to be thought that we are framing something deliberately to disqualify payments on our own annuities. I think we must adhere to the principle, which is that the premiums cannot be postponed without substantial loss to or forfeiture by the taxpayer. That is the principle we have to stand by. If we depart from that, we shall be letting in all kinds of things.

Mr. NEILL: Is there no forfeiture under government annuities?

Mr. ILSLEY: I do not know of any. My understanding is that a person can discontinue the payments and not suffer at all; he can pick them up again after five years. If he cannot afford to continue them in the meantime, he can continue when he gets his refundable tax back.

Mr. FRASER (Peterborough West): On some annuities for the first few years if one had to drop them he would certainly lose money.

Mr. ILSLEY: How?

Mr. FRASER (Peterborough West): Because the payment to the insurance agent has to come out of it and there is a loss in some cases.

Mr. ILSLEY: Well, if they cannot be postponed without substantial loss to the taxpayer the payments will qualify as offsets, but that is a question to be decided by the Minister of National Revenue administering the measure.

Mr. FRASER (Peterborough West): I have had letters regarding annuities from people who claim that even when the war is over they might not be able to pick them up again because taxes will be so high. These people are trying to keep these annuities for their old age.

Mr. ILSLEY: They will have the money. If they do not pay it to the government on their annuity they will have paid it to the government in compulsory savings. They will have all the money, with 2 per cent interest.

Amendment agreed to.

Mr. NEILL: On the section that we have just been discussing—

(i) life insurance policies on the lives of the taxpayer, his spouse and his dependents.

—a case comes to my mind. A working man took out a policy on himself for a moderate amount; he did the same as to his wife

[Mr. Ilesley.]

and the same as to his daughter. Time went on, the girl grew up and got married, but he is still paying the premium on her policy. Would he be allowed to deduct that?

Mr. ILSLEY: No, unless she is a dependent still.

Mr. McNIVEN: The principle of savings as incorporated in the bill by the minister in his address on June 23 was very favourably received throughout the country as one of the outstanding features of the budget. I am very sorry indeed that the minister has not found it possible to include dominion government annuities within the scope of that savings feature. I have no objection; in fact I think it was a very fine thing, that he has extended exemption to life insurance premiums.

Since 1908 the dominion government has extended an invitation to the general public to provide for old age by the purchase of annuities. Up to the end of the fiscal year 1940, some 58,915 Canadians have availed themselves of that opportunity. From that number 20,416 contracts have matured, and the owners of those contracts are in receipt of a government annuity. For a time it was thought that those annuities were taken advantage of by well-to-do people, in fact rich people. But the average of the 20,000 contracts which I have just mentioned is \$416 per annum. This means that the low income group are making this provision for their old age. When I mention the sum of \$416 it will be agreed that they are making a very modest provision. Then, when you come to analyse those 20,000 contracts, you find that 8,865 were for less than \$300, while only 1,559 were for \$1,200. When you look at the class of people who are taking out these contracts, you find that over 50 per cent are women, engaged as school teachers, stenographers, nurses and so on, women who contemplate having to take care of their old age themselves. They are in receipt of modest salaries. They are so living as to make regular contributions to the annuity contracts which they have purchased in the expectation that when the contracts mature they will receive the amounts provided for.

That is the analysis of the contracts which have already matured, but there are more than 34,000 people who have contracted with the government to make similar payments, and I think it fair to say that the contracts outstanding are of the same class as those which have matured. That is, the 34,000 individuals who up to the end of 1940 had purchased dominion government annuities.