

*Supply—National Revenue*

When the tax was paid in 1947 this man and his wife were assessed as single persons. I understand—and I am not certain of this; the minister will correct me if I am wrong—that in the revision of 1949 there were some changes made. But during the years 1947 to 1950 he and his wife were wrongly charged, and she has overpaid to the tune of \$475. The department has refused to return this amount. In 1950 the income tax branch acknowledged that the couple were justified in claiming the exemption, and did not charge them for the years 1950-51 and 1951-52. In view of the fact that the pension received by the veteran is not earned income, I think this case should be looked into. I shall be glad to give the minister the details at a later time.

Then there is one other matter I would bring to his attention. During the latter part of the tax year, accountants file a large number of returns of their clients and this difficulty arises. I am glad the collector of income at London has seen fit to change his method; and when these returns are taken to the office I will agree they are taken at a time when many returns are being filed. However, the accountant is asked to turn in those returns, and is given no receipt for them. There may be 25, 50 or 100, as the case may be, with cheques attached to pay the tax. The accountant does not have even the scratch of a pen to show that he has made the return for his client.

Upon making inquiries I pointed out that they could be lost. I was assured that such was not the case. It has since been brought to my attention in respect of two cases that returns have been lost in some way or another. In view of the fact that a great deal of money is sometimes involved in these returns I think it is only fair and proper that individuals who cannot have returns assessed immediately should have a receipt in some form or another. I have suggested to the department that when an accountant takes down 25 or 50 returns, as the case may be, they should be duly recorded, and he should have a signature for the whole batch of them.

**Mr. McCann:** The matter to which the hon. member for Middlesex East has referred has to do with a judgment of a judge of the supreme court with reference to the Stanley Mutual Fire Insurance Company. This is a mutual fire insurance company operating under a New Brunswick statute whereby it was required to set up certain reserves after the payment of its operating expenses and losses. The statute provides that the reserve fund—

—shall be the property of the insurer as a whole and no member shall have a right to claim any

share or interest therein . . . nor shall such fund be applied or dealt with by the insurer or the board other than in paying its creditors, except on the order of the governor in council.

The taxation division considered that the company was subject to income tax in respect of the amount added to the reserve in each year. The company appealed the assessment but conceded that it was taxable on the income earned by the investments in the reserve fund. The case reached the Supreme Court of Canada and it was held that the amounts accumulated by the company and added each year to the reserve fund were neither profits nor gains of the company, and hence not subject to income tax.

The hon. member will be interested to know that this decision—and we have to accept a decision of the supreme court—will be applied in respect of other mutual insurance companies for taxation years which have not yet been assessed or, if already assessed, are presently under appeal. It will, of course, be necessary that such other companies are operated in a manner which comes within the reasons for judgment of the supreme court, and each case will have to be considered on its own merits.

With respect to the veteran and his wife, if the hon. member will place the details of that case before us later, we shall be glad to look into it.

Then, concerning the complaint about the accountant in London—Mr. Fitzgerald—all he has to do is tabulate the list of returns he brings in, and he will receive a receipt.

**Mr. White (Middlesex East):** I wish to thank the minister for the answers he has given.

**Mr. Blackmore:** Mr. Chairman, I know the minister has a reputation for taking great care in seeing that everything in his department is done just right, and because of that I have a high respect for him. Therefore he will hear with considerable concern, no doubt, the fact that I have been informed by men who are in a good position to know, I think, that in an area surrounding the town in which I live no less than \$100,000 is taken out of the district every year by income tax officials under false pretences.

I am told the general method of doing this is to write to a farmer who seems to be fairly prosperous and tell him it has been discovered that he owes \$4,000 more income tax. The farmer may write and ask on what grounds this additional levy is made, and he will receive a more or less evasive letter, but a letter which implies a threat. In a general way the farmer is given to understand that there is no use trying to avoid this further payment, and that the best thing