

Income Tax

tax is really being placed on average Canadians. Those who are rich enough to afford gold, silver or stamps, or who have a granary full of grain, do not have to pay on the basis of accrual. They pay only at the moment they begin to use incomes. In this tax Bill there is a provision to tax when a court directs that assets of those involved in a divorce must be split. There is a provision by which tax accrues the minute people become age 65 and want to turn their savings into annuities. If this comes into the system, it will cause average Canadians to face an extra tax. That is the problem concerning this particular piece of legislation.

I want to deal with one last issue and lay it out on the table. Does the Department have an estimate of the cost to Canadian society of the additional paperwork which this change in law will require? Just think about it for a moment. Every policyholder in the country will have to be notified, and each letter will require a 32 to 35-cent stamp. Material setting out the calculations and so forth will be required, meaning additional cost to the industry to notify policy holders to their tax position. Does the Minister have an estimate of the cost to Canadian society?

Mr. Cosgrove: Mr. Chairman, as the Hon. Member for Parry Sound-Muskoka indicated this morning, from his own investigation he found that only 5 per cent of life insurance policies, a very small amount, would be affected by the three year accrual route.

Further, we all know that insurance companies are leaders in terms of information management, of taking advantage of the new technological gains to assist them in very economic handling of all types of information recording, including the small 5 per cent of their policies which would be subject to the rules in the Bill before us. The information of the Hon. Member concerns the profile of persons taking advantage of annuities. His description of annuities as being the poor man's vehicle certainly does not coincide with that of the impartial writers and analysts of the situation. I would again refer the Hon. Member to *The Financial Post* of July 4, 1981. It states:

Annuity brokers say most contracts are for more than \$10,000. Many exceed \$100,000 and, occasionally, million-dollar contracts are sold.

I would be interested in the Hon. Member's definition of a poor man.

Mr. Hawkes: I think the words I used were "average Canadian". Certainly, at the age of 65, having a \$10,000 cash surrender value which one desires to turn into an annuity is not a rich man's game. If one reads the article carefully, one finds that, yes, there are some policies sold for \$1 million, and tax laws can be written specifically for those kinds of cases. However, in reality, I would certainly not describe the number of people who will get caught in this as being wealthy.

● (1630)

The question which I asked was whether the Department has an estimate of the increased cost through the paper

burden. The Minister indicates that in his opinion this cost is going to be slight, but there does not seem to be any data available.

Has the Department considered the increased cost to every partnership in the country which will have to re-write partnership agreements as their business expands, as dollar volumes change and the previous insurance policy that they had becomes inadequate and therefore has to be redone? I am speaking of survival-type corporate insurance. Has the Department considered those kinds of costs, and what that will do to the small business sector?

Mr. Cosgrove: Mr. Chairman, the officials remind me that obviously it is the insurance companies through their agents who offer the kind of service and advice that would be required by persons in partnership referred to by the Hon. Member. Increased costs would be negligible.

The Deputy Chairman: Is the House ready for the question?

Some Hon. Members: Question.

The Deputy Chairman: The Chair has before it a package of Clauses, Subclauses and amendments. Earlier today the Committee made it an order of the Committee that certain amendments proposed by the Minister were deemed to have been proposed and seconded and that a certain list of Clauses and Subclauses were to be grouped, along with the amendments, for the purpose of a vote. I think the House perhaps will accept my reference to that as Clause 4 and the Clauses and Subclauses grouped with it.

Accordingly, I would now put the vote on what I would refer to as Clause 4, but the Committee will understand that it consists of all those Clauses and Subclauses and amendments referred to.

Shall Clause 4 carry?

Some Hon. Members: No.

The Deputy Chairman: Those in favour will please say yea.

Some Hon. Members: Yea.

The Deputy Chairman: Those opposed will please say nay.

Some Hon. Members: Nay.

The Deputy Chairman: In my opinion, the yeas have it. Clause 4 and the others grouped with it are carried on division.

Clauses agreed to.

The Deputy Chairman: Because of the grouping of Clauses, that would mean that Clause 5, and the amendment thereto proposed and seconded, has now been dealt with as well.

In the ordinary course of events, the Chair would look to returning to Clause 1 because that Clause was stood earlier on the grounds of a point of order raised by the Hon. Member for Simcoe North. Earlier in the Chamber there was some discussion as to how we might proceed. Perhaps I could hear those Hon. Members who wish to rise on this point.