

HOUSE OF COMMONS

Thursday, March 10, 1983

The House met at 11 a.m.

● (1105)

GOVERNMENT ORDERS

[English]

INCOME TAX

AMENDMENTS TO STATUTE LAW

The House resumed from Tuesday, March 8, 1983, consideration in Committee of Bill C-139, to amend the statute law relating to income tax (No. 2)—Mr. Lalonde—Mr. Blaker in the Chair.

The Deputy Chairman: I apologize to Hon. Members for the delay. There was under consideration a ruling on a point of order raised by the Hon. Member for Simcoe North which may be ready later in the day.

On Clause 4—*Amounts receivable in respect of services, etc., rendered*

Mr. Darling: Mr. Chairman, on Tuesday afternoon when the sitting came to a close, I was on my feet asking the Minister for clarification on certain points. I gave the example of the farmer who sells his farm and, with the capital, expects to retire in comfort or at least be able to look after himself. In the past he could purchase an immediate life annuity which would guarantee him so much a month as long as he lived. Of course, this is no longer available under the new revised regulations.

● (1110)

Then I cited the case of someone who probably did not have any assets whatsoever but was fortunate enough to win one of the \$1 million lotteries. That windfall is not subject to capital tax, but of course the revenue and interest derived therefrom is subject to income tax.

Would the Minister explain the difference between the two? Why is the person with the windfall profit home free, whereas persons who purchase other investments are able to have substantial lump sum gains but are not able to look after their future in their retirement years?

I could cite many other examples of people in modest circumstances who might have a bit of cash when they reach retirement. They know they will receive the old age pension and Canada Pension, at least the great majority of them. If they have a lump sum with which they want to purchase a life annuity, why are they not able to do it out of profit from some sort of a deal, whether the sale of a house or whatever?

Mr. Cosgrove: Mr. Chairman, I would be very pleased to attempt to answer the Hon. Member's questions, which really deal with IAACs, when Clause 30 is under consideration. Part of the difficulty in responding to the points and issues raised which are not before the Committee for deliberation is that unless we deal with the Clause in front of us, it would be a hopeless chore to deal with 139 Clauses in any kind of order. I would be happy to focus my attention on the items raised by the Hon. Member when we reach that point.

In the same vein I would like to inquire of the Hon. Member, or possibly the Hon. Member for Mississauga South, whether Hon. Members opposite have agreed that we would deal with Clauses in addition to the Clause which gave rise to this discussion, that is Clause 4, the first one dealing with the whole issue of insurance and annuities. It was agreed that the House would deal with related Clauses. I provided Hon. Members opposite with a list of the related ones and hoped that we could deal with the related items. Unfortunately Clause 30, upon which the Hon. Member has now touched, does not fall within those items. Are they now proposing that Clause 30 be dealt with?

Mr. Darling: No.

Mr. Cosgrove: The answer is no. Therefore, I would prefer to deal with that item when we come to it. Also I would be interested in knowing if it is possible for Hon. Members opposite to indicate whether the proposal we made and the Clauses we listed were acceptable, to put some form to the discussion. Have they reached that conclusion at this time?

Mr. Darling: Mr. Chairman, certainly I will be more than willing to defer that particular item until it is reached.

If I could move on to another item, on Tuesday the Minister indicated that he had received some letters. In fact, he quoted from letters from officials of both the Life Underwriters Association of Canada and the Canadian Health and Life Insurance Association. I have been in touch with both of those organizations recently, in fact, with one of them today. They can see that great strides have been made in the revision of the regulations. Of course, they are much happier now than they were with the original budget of November, 1981. They hope the Bill will get through before too long, as we do on this side of the House.

● (1115)

I questioned these people on the amount of revenue which the Department of Revenue hopes to recover, and I received