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Succession Duties and Life Insurance*

Comparison of Rates in Nine Provinces of Canada—Nova Scotia, Manitoba and Alberta Give Special Treatment to Life Insurance—Many Ways in Which Insurance Money Comes in Useful in Administration of Estate

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ACCORDING to our old friend, Benjamin Franklin, there is nothing surer than death and taxes. Both have been with us in many forms since the beginning of time, the great war especially having yielded an abundant harvest. This afternoon we are met to consider the relationship of one of the more recent forms of taxation, namely, succession duty, to that class of life insurance which makes provision for the dependents of the assured in the event of death.

As to definition of terms, it is unnecessary in such a gathering as this to define the business of life insurance; suffice it to say that, founded as it is on well-ascertained natural laws and on principles of finance, which, in their broad aspect, are of the simplest description, it has proved of untold blessing since its inception in providing funds in those times of need, which, sooner or later, come to most of the children of men.

It is difficult to express a similar appreciation of succession duty, or, in fact, of any kind of taxation. Succession duty may be defined as a tax on the succession to the estate of a deceased person by his beneficiaries or next of kin, the term "estate" including real and personal property of every description and every interest therein capable of being devised or bequeathed by will on the death of the owner to his heirs or personal representatives.

Originated in England

The imposition of this tax on the estate of a deceased person in the British Dominions dates back to 1780, when a duty was charged in England by the government of the day upon property devolving by will or intestacy (that is, in the absence of a will) to legatees or next of kin of a deceased person. The principal act dealing with this measure was the Legacy Duty Act of 1796 by which duty was charged on personal estate, that is on all the estate left by a deceased person except real estate, and it was charged only in cases where the deceased was domiciled in the United Kingdom. By the succession Duty Act of 1853 a tax was placed on the gratuitous acquisition of property which passed on the death of any person by means of a transfer from one person (called the predecessor) to another person (called the successor). Then came the well-known Finance Act of 1894 under the chancellorship of Sir William Harcourt, making provision for payment of death duties and effecting large changes in the duties which had been hitherto payable. Further amendments to this act were made in 1908. This is briefly the history of the succession duties in Great Britain.

In Canada succession duty is entirely a provincial tax, and first made its appearance in Ontario in 1892, when it

was introduced by the government to meet the growing expenditures of the province for the support and maintenance of such provincial institutions as the insane asylums, institutions for the blind and deaf mutes, and for other charitable and educational institutions. The large revenues which the act yielded in Ontario led the other provinces to follow her example, until every province in the Dominion has now a Succession Duty Act on its statute book. The highest rate of duty levied by any Canadian province is 35 per cent., this being the rate of duty charged by the province of Ontario on a legacy passing to a remote relative or stranger in blood of the deceased when the estate exceeds \$800,000 in value; the lowest rate is $\frac{1}{2}$ of 1 per cent., charged by the provinces of Saskatchewan and Alberta on an estate passing to the immediate relatives of a deceased person which exceeds \$10,000 and does not exceed \$15,000 in value. The aggregate revenue raised during the last three years by the nine provinces of the Dominion averaged a little over 6½ million dollars, almost one-half of this amount being raised in Ontario alone.

Exemptions of Life Insurance

When the Succession Duty Acts in some of the provinces were being framed special provisions were made with regard to payment of duty on life insurance funds.

Let us dip into these acts of the various provinces and see what they have to say in this regard, for in those provinces where exemption from payment of this tax on insurance moneys has been granted a talking point may be found for the alert agent.

Starting with Prince Edward Island, we find that this province has made no exemption for life insurance, the proceeds of all policies, no matter how payable, being subject to succession duty.

In Nova Scotia insurance moneys payable to certain beneficiaries are taken into account for the purpose of determining whether or not an estate is liable for succession duty. Where any moneys are received or are payable under a contract of insurance effected by any person on his life have been made payable to or for the benefit of the grandfather, grandmother, father, mother, husband, wife, child, grandchild, daughter-in-law or son-in-law of the deceased, and the total amount of such insurance money does not exceed five thousand dollars, the money received in respect thereof is not dutiable, although the rest of the estate is dutiable. When, however, such insurance moneys exceed five thousand dollars, they are subject to duty. For example, an estate has assets of one thousand dollars and there is five thousand dollars of insurance, payable to a certain beneficiary, such as nephew, niece, cousin or any other collateral relative or stranger in blood to the deceased, the thousand dollars is dutiable and the insurance moneys are not. Or take another case. An

*An address before the Life Underwriters' Association convention, Ottawa, August 18th to 20th, 1920.