

Income Tax

frustrating experience as those of us who have had this experience know.

● (1540)

There are various kinds of annuities available to the taxpayer, the income averaging annuity, for example, which the taxpayer can decide to buy if he has received a fairly large capital gain. However, the taxpayer is very hard pressed to decide whether he is eligible to buy such an annuity or whether it would be to his advantage. I certainly would have difficulty advising anyone on that.

There is another kind of annuity which I think is really mandatory for a taxpayer, although many of them do not understand this, and this is the case with hundreds of thousands of Canadians every year. Every Canadian who reaches age 70—

Mr. Blais: On a point of order, Mr. Speaker, undoubtedly this information about annuities is very interesting. The treatise of the hon. member for Vancouver Quadra (Mr. Clarke) on annuities is undoubtedly of value, but we are dealing with a tax measure that seeks to enforce international treaties. I fail to see what the advantages of annuities has to do with the bill under discussion. I would commend to the hon. gentleman the provisions of this bill and its clauses so that he might himself be informed as to what we are debating.

Mr. Baker (Grenville-Carleton): On the same point of order, Mr. Speaker, and with the greatest respect to the hon. member for Nipissing (Mr. Blais) and his point of order, of doubtful value in any event, I do not believe any representative of any government which cannot start the business of this House until 20 minutes after starting time should complain about the content of speeches later in the afternoon.

Some hon. Members: Hear, hear!

Mr. Blais: Mr. Speaker, I tried to make a serious point, contrary to the intervention of the hon. member who—

The Acting Speaker (Mr. McCleave): Order, please. I think perhaps the parliamentary secretary has made his intervention, and one bite is probably all that should be allowed under the rules. The Conservative House leader has also made his point. I hope at this juncture prudence will take over and that the hon. member for Vancouver Quadra (Mr. Clarke) will be allowed to continue his speech. The debate does concern Bill S-32, an act to implement conventions for the avoidance of double taxation with respect to income tax between Canada and France, Canada and Belgium, and Canada and Israel. Having said that, perhaps I have outlined as much as the Chair should regarding the contents of the bill.

Mr. Clarke: Mr. Speaker, I appreciate your direction. I really cannot understand the hon. member for Nipissing (Mr. Blais) making such an intervention. It would appear that he has not paid attention to what I said in my opening remarks. Perhaps I should start again.

An hon. Member: Oh, no!

[Mr. Clarke.]

Mr. Clarke: I am well aware of the purpose of the bill and I will have something to say about that in a few moments. I thought it was important to establish the base upon which we were working, and hence my preamble. I was merely trying to establish that the government brought upon itself these very unnecessary and complicated negotiations, which have taken some four years to produce three treaties, those we are being asked to examine today.

I was talking about annuities, which are very confusing to many Canadians. Many thousands of Canadians every year who achieve the age of 70 have taken advantage of the government's provisions which allow them to defer a certain amount of their earned income through the purchase of a registered retirement savings plan. Many taxpayers are caught in a terrible bind because they do not understand the simple rules put forward by the government which allows them to defer some of their income and, therefore, some of their tax.

Unfortunately there is a penalty for the unwary taxpayer who arrives at age 70 and finds he has some money in his registered retirement savings plan and is required by this simplified tax law either to take it out into income in his 71st year, or buy a life annuity. This completely ignores the fact that this is a penalty in itself to the unwary taxpayer, because the rates for a life annuity at age 70 these days require an amount of cash almost identical to the amount that would be received if only the interest were taken into account.

Perhaps that is enough about annuities, but I do not think it is enough about the so-called simplicity of the tax system. Many taxpayers have great difficulty in finding their way through the capital gains rules. We all know that half the capital gains are taxable and put into income. We all do not know about the adjusted cost base and the other complicated terms that can lead us into traps.

As a result of these capital transactions we have an inequitable situation that allows someone to sell a capital asset and make a capital gain, providing he has invested and the value has gone up. He then has to pay a capital gains tax, but finds himself no longer in a position to replace that asset because of rising market prices, or because the tax has been paid on the gain. As a result this is not really a gain at all, it is really a tax on inflation which the taxpayer happened to have rolled into his hands.

Of course there is also the roll over provision which would allow the taxpayer to reinvest, but that has to be done within a certain time frame. I am not sure how many taxpayers understand the roll over provision. In addition, this does not always seem to work.

There is another difficulty which came to my attention the other day about this so-called simplified tax system, and this relates to a form produced by Revenue Canada Taxation. We know it is a valid form because it was revised in 1975 and is referred to as the T-5 form. There is a provision on this form regarding who shall complete it. There is also a relieving provision. I am only going to refer to the relieving provision that is of interest to me. It says that this return is not required to be filed for interest paid on money on loans from banks, financial houses or other institutions, or from persons whose ordinary business includes the lending of money.