

## Estate Tax Act

shall in fact be deemed a charitable organization so that a gift to the Canada Council will be deductible from the aggregate value of the estate.

**Mr. Crestohl:** Does the minister not see the relationship there? The Canada Council will provide scholarships, and anyone who wishes to make a bequest through the vehicle of the Canada Council to provide scholarships will find that they will be deductible. If similar scholarships are provided through another vehicle, through another organization which does not fall within the scope of this section 2 or section 7(b)—

**Mr. Benidickson:** Or through his executor.

**Mr. Crestohl:** Yes, or even through his executor, they will find that they are not deductible. I can understand that this section is in a class by itself if the bequest is made to the Canada Council. Why should not a bequest which is made for the identical purpose but not through this vehicle or this avenue but through another one be deductible? I see a difficulty there. I do not want to say it will be a discrimination, but it certainly will be setting something aside and making an exception of a scholarship given through this channel as against a scholarship given through another means. If it is the intention to encourage the giving of scholarships and bursaries then the exemption should be allowed under the general heading of granting scholarships and bursaries and not restricted only to scholarships and bursaries given by the Canada Council.

**Mr. Fleming (Eglinton):** The gift must still be through a charitable organization. In the case mentioned by the hon. member for Cartier, the form of gift, in order to acquire exemption, would need to be a gift to a particular charitable organization for the purpose of providing scholarships or bursaries. This would entitle the gift to the exempt status. It must still be a gift to a charitable organization within the provisions of section 7(1)(d).

**Mr. Crestohl:** I am sure the minister understood my analogy. The bequest ultimately goes for education and if the testator leaves a bequest to his executor and says, "I want this money to be used for scholarships of the same kind, class and category as those that are given to the Canada Council", why should that bequest not be deductible? That I cannot understand.

**Mr. McMillan:** When paragraphs 1 and 2 are enacted they will apply in respect of deaths after January 1, 1959 instead of January 1, 1960. Why is that so?

**Mr. Fleming (Eglinton):** The hon. gentleman will find the provision for the effective date of the amendments in paragraph 6 of the resolution.

**Mr. Pickersgill:** The hon. member asked why that date was selected.

**Mr. Fleming (Eglinton):** In order to give to the persons who might have made gifts under those circumstances the benefit of an exemption since December 31, 1958. It is a relieving provision.

Paragraph 2 agreed to.

**The Chairman:** Shall paragraph 3 carry?

**Mr. Benidickson:** When the Minister of Finance briefly described his intention with respect to the amendment of the Estate Tax Act on budget night I think he made the comment that we would be faced with resolutions which on balance were neither specific, relieving nor adding new imposts. I find that paragraph 3 is indeed a new form of tax. That was something that escaped attention in the existing statute. Will the minister explain the past history of insurance of this kind? Has he any knowledge of what might be taken in as a tax if this particular item is passed?

**Mr. Fleming (Eglinton):** Mr. Chairman, this in essence is more a matter of eliminating a doubt as to the effect of the present provisions than of imposing any new tax. This has reference to the provisions of section 3(1)(m) of the Estate Tax Act. The purpose of the proposed amendment is to ensure that death benefits arising out of employment which are now generally subject to estate tax will be taxable when they are in the form of life insurance payable to the beneficiary of the deceased.

Although life insurance owned by the deceased at the time of his death is now taxable, life insurance owned by the employer on the life of a deceased, for example, in a company group insurance scheme, may at present escape tax even if payable to a beneficiary of the deceased. This is a matter of rectification of an anomaly by our removal of the doubt in this respect. The words that appear in the paragraph: "for the benefit of the family of the deceased" were used in the resolution to make it clear that a policy owned by an employer on the life of a key employee which is payable to the employer would not be included.

Paragraph 3 agreed to.

Paragraphs 4 to 6, inclusive, agreed to.

Resolution reported.