

that I was in accord with heavy taxation on estates during war time. If there is wealth in estates and Canada needs the money, let us go and get it from those estates. At the same time I drew the attention of the Minister of Finance to the hardship imposed on those who receive annuities from estates and are faced, on the one hand, with the payment of succession duties on the capital amount represented by the annuity, and on the other with an income tax on the actual annuity. I think the minister agreed with me, as reported on page 5300 of *Hansard* of last year, that wills drawn up ten years ago should be revised so that annuities would not become liabilities during the first few years of the life of the annuitant. Briefly, the outstanding example—the others will be found in *Hansard*—was that of an individual, no relation to the deceased, who received an annuity of \$2,000 a year. He found that it was capitalized by the federal authorities at \$31,365 with a succession duty payable of \$3,465, while the same annuity was subject to a provincial succession duty capitalized on \$28,976, amounting to \$12,664. In other words, the total succession duty on that portion of the estate which is lifted out of the capital sum to provide an annuity of \$2,000 amounts over a four-year period to \$16,129, one-quarter of which is \$4,033 yearly, in order that the recipient might receive an annuity of \$2,000 per year. At the same time, in the case I recited, the income tax from the receipt of the \$2,000 amounted to \$1,065, with the result that the individual had to find four annual tax payments of \$5,097, after which there would be no further succession duties. In my opinion our statutes ought to be amended so that the first charge against any estate would be the collection of succession duties, and that should be made a statutory provision in each and every will. In that way many estates which now escape succession duty would be taxed, and at least the treasury would have the first call on the estate and would be paid first, with the beneficiaries having the second call.

I come now to the matter of annuities. The high income tax rates which are necessary have destroyed the incentive to buy annuities. I should like the Minister of National Revenue to deal with the unfairness of income tax on annuities. Many Canadian citizens abhor taking an old age pension from the state. They are honest citizens with some pride in themselves and their families, and they cannot bring themselves to believe that when they reach the age of seventy they have the right to accept an old age pension. They

[Mr. J. H. Harris.]

would prefer to sell their house and lot and some of their other assets and put the money into an annuity. But the present system of taxation is destroying the whole philosophy which underlies the purchase of annuities. The Canadian citizen who abhors taking an old age pension from the state converts his capital assets into an annuity and finds that he pays the full income tax on capital so invested as well as on that portion which represents interest. On the other hand, if he buys a war savings certificate or a victory bond, his capital is returned to him without income tax on the principal sum. Of course he pays taxation on the interest which the victory bond earns. There is no practical reason why the capital portion of an annuity should not be returned to the taxpayer in like manner as he would liquidate a victory bond or a war savings certificate. This was brought to the attention of the government last year by the hon. member for York-Sunbury (Mr. Hanson), and I am disappointed that nothing has been done about it.

The simplest way for me to explain the matter to the house is to read into the record a letter from a cattle rancher in Alberta. He says:

I was a cattle rancher in Alberta until last year. The department of defence expropriated my property for military purposes. Being 74 years of age I did not wish to start again. In order to assist in the war effort I considered placing funds in victory bonds or government annuity. As far as the war went I could see no difference. In both cases I lent a certain sum to the government. In each case it went into the treasury and was used the same way. In each case payment is provided for at a specified time. I put part of my savings in each but in one case the interest only is income but in the other the whole of my savings is to be subject to income tax when returned. This does not make sense to me. The use of a mortuary table to determine the amount necessary to deposit to receive a certain yearly repayment does not alter the principal. It is either income or returned savings. I have no objection to paying war taxes but I do not like paying income tax on the return of my savings.

As you will know, when the dominion government was put into effect it was income tax free and called for very reasonable rates. Later the rates were raised about 15 per cent and income tax clause struck out.

In my letter to the deputy finance minister I suggested that the low rates be restored and the tax free clause also, that investment in dominion government annuities be advocated to finance the war along with victory loans and war savings certificates, and after the war to continue the compulsory savings to an extent sufficient to eventually replace the old age pension by government annuities.

He goes on to say:

On page 11 of the dominion government annuities pamphlet we are told from statistics,