

Adjournment Debate

Mr. Darling: Mr. Chairman, I believe the Minister was speaking earlier today about the annuity as well as money in the bank. He was giving the example that the money in an annuity would have a much better return for the policyholder than leaving the money in the bank. As I mentioned before, when one purchases an annuity, there is a front end loading in a great many of these annuities which pays the commission and costs. Certainly, if someone tries to cash in an annuity or an instrument similar to an annuity, such as an investor's syndicate, he or she will take a loss.

In the case of an emergency, the money in the bank at a slightly lower interest rate will give a better return. You cannot compare the two and say that the annuity is a better deal than the bank loan because it certainly is not. I would appreciate the Minister's comments on that.

Mr. Cosgrove: Mr. Chairman, the same point was raised, I believe, by the Hon. Member for Edmonton West in responding to my comments. That is, drawing a parallel for tax purposes between a person investing in a bank account and looking at what the return would be as compared to those people who have been, during the last couple of years due to the increased interest rates, using annuities.

I believe that it is common knowledge that there is only a certain segment of the Canadian community who were taking advantage of the annuity situation. I would refer the Hon. Member to the *Financial Post* article dated July 4, 1981 which was entitled "Big Sums Go Into Deferred Annuities." The article points out the reason why this is troublesome to the Government, and it should alarm all Hon. Members who are concerned about equitable treatment of Canadians with respect to investment, whether bank accounts or annuities. The article begins by saying that the smart money is moving into deferred annuities, investment that earned today's high interest rates and lets income accumulate, compounded and tax-deferred for 10 to 20 years or more. The writer further suggests that the buyers are sophisticated, well-heeled investors, perhaps a little wary of the stock market, who can afford to tie up income for a long time in order to avoid paying tax on it at current high marginal rates.

The point is that the basis for tax is income. It should be income earned under whatever circumstances. We should not permit those people who are described as sophisticated, well-heeled investors to separate themselves from ordinary Canadians because their income and their interest allows them to put off tax payments for 10 to 20 years.

The logic of that is that if you have a deferred tax indefinitely, you in fact do not pay tax.

We just finished taking a vote this afternoon. The Government came to Parliament to explain that it is pressed to go to the market for additional borrowings because of the demand which is upon the Government in difficult financial times. The result of the use of these schemes by those people called sophisticated, well-heeled investors was a loss to the Treasury

of an estimated \$75 million annually, which is not available to meet the demands of the Government in other areas.

Mr. Darling: Perhaps I could give another example to the Minister. The tax department is after every nickel it can get. If there is a windfall profit made on the stock market, it takes 50 per cent anyway. You are not satisfied with that. You will not let the lucky person in the stock market agree to take their 50 per cent. The Government will say it will take its 50 per cent but will not let the individual buy an income averaging annuity to spread it over the rest of his life or a period of 10 years.

However, if one wants to become a real gambler and buy tickets on the sweepstake, the sweepstakes are home free. You do not put your claws on the sweepstake. At least, you have not thought of it yet, and maybe I should not give you the idea. I know that sweepstake winnings in the United States are subject to capital gains. I see the officials starting to blink their eyes.

What is the difference between a person winning a million dollars on the sweepstake and being comfortable for life and a farmer who works hard all of his life and sells his farm for a substantial amount—because they say that farmers live poor and die rich—and he sells his farm for that substantial amount of money for which he only gets a downpayment of \$10,000. Suppose he gets cash.

• (1800)

The Chairman: Order. I hesitate to interrupt the Hon. Member but, it being six o'clock p.m., it is my duty to rise, report progress and request leave to consider the Bill again at the next sitting of the House.

Progress reported.

PROCEEDINGS ON ADJOURNMENT MOTION

[English]

A motion to adjourn the House under Standing Order 45 deemed to have been moved.

BILINGUALISM—SPECIAL RECRUITMENT OF FRANCOPHONES FOR EMPLOYMENT IN CIVIL SERVICE. (B) EFFECT ON ENGLISH-SPEAKING CANADIANS

Mr. Dan McKenzie (Winnipeg-Assiniboine): Mr. Speaker, on April 23, last year, I asked the Prime Minister (Mr. Trudeau) about a Government directive establishing special recruitment teams for the purpose of searching out and hiring francophones exclusively for employment in the federal civil service. The Human Rights Commission is currently investigating the discriminatory promotion policy of the Liberal Government, although it appears that the Human Rights Commission is experiencing great difficulty in arriving at a decision on the various cases which have been brought before it with regard to preferential treatment for francophones.