

and in some cases which have come to my attention the Act has worked a real hardship. In 1936, 1937, 1938 and 1939 in most sections of Western Canada there was virtually no crop. The average yield for those years was not sufficient even to enable the farmer to supply the necessaries of life for himself and his family and pay anything on his debts, with the result that he went badly into the red. In 1940, we will say, he had a big crop. I have in mind a man who is farming a couple of sections of land. He was deeply in debt owing to bad crops. Last year when he came to me to make out his income tax return I found he had to pay \$10,000 excess profits. Before coming to me he had paid off his debts. In order to pay his income tax he was obliged to mortgage all his holdings. That is a great hardship. It has been said that farmers do not pay income tax, but in my district there is not a farmer who does not pay high income taxes every year. This year there is a very large crop. If, as a result, a farmer has to pay 100 per cent excess profit tax, he will not be able to pay the debts he incurred last year and other years when he had poor crops. I desire to draw these facts to the attention of the Government.

Hon. Mr. KING: Thank you.

The motion was agreed to, and the Bill was read the second time.

#### THIRD READING

Hon. Mr. KING: Honourable senators, we are coming so near to the end of the session that if there is no dissenting voice I will move that the Bill be read the third time now.

Hon. Mr. BALLANTYNE: Carried.

The motion was agreed to, and the Bill was read the third time, and passed.

### DOMINION SUCCESSION DUTY BILL

#### SECOND READING

Hon. A. B. COPP moved the second reading of Bill 123, an Act to amend the Dominion Succession Duty Act.

He said: Honourable senators, the leader of the House has asked me to give a brief explanation of this Bill, but owing to the short time at my disposal I have found it impossible to compare the amendments in detail with the original Act.

As honourable members are aware, the Dominion first entered the field of succession duties in 1941, when the Dominion Succession Duty Act was passed. It is a long and intricate

Hon. Mr. ASELTINE.

measure, and those entrusted with administering it have found it necessary to ask for the amendments contained in this Bill for purposes of clarification.

This Bill was discussed at some length in the other House yesterday. The original Act was strongly criticized on the ground that it has worked hardship here and there, as all legislation of this kind does.

Now for a brief explanation. Section 1 changes the definition of a child who succeeds to an estate. Section 2 defines dutiable value. Clause 3 deals with annuities, superannuation and pensions, and this amendment is intended to clarify the law that superannuation benefits or allowances payable or granted to relatives of a deceased person are dutiable. There are several other sections, which I need not deal with in detail. Those honourable senators who are interested in the Act and this amending Bill will find it worth while to read the discussion in the other House.

Hon. Mr. BALLANTYNE: I certainly have no objection to the Bill, and I agree with my honourable friend that it is a most difficult measure to understand. The essential amendment is in regard to grandchildren. There is no allowance unless the grandchild—

Hon. Mr. COPP: Is a dependent.

Hon. Mr. BALLANTYNE: Yes. By another amendment, if a man's superannuation goes to his widow it becomes liable to succession duty.

Hon. Mr. COPP: Yes.

Hon. Mr. COTE: Section 3 contains a vicious principle. As extended by the amendment, it covers an annuity payable on the death, let us say, of the testator, to his widow or his children, notwithstanding the fact that he may not be the one who bought the annuity. He may have contributed part of the payment out of his salary in order to earn his superannuation, but his employer may, as is very often the case, have contributed the rest. Surely when an employer contributes to a superannuation fund which is for the benefit, not only of the man, but also of his widow, it is a benefit which passes directly from the employer to the widow, and not through the husband to his widow. I think it is a novel and extraordinary means of collecting succession duties to collect a percentage on an amount which never came from the deceased to the beneficiary, but came from an entirely different source, such as the employer in the case I have mentioned.