

*Estate Tax*

fraud in this connection are not nearly as great as they might be under the Income Tax Act. I think it is unfair to tax certain arrangements which are justified in order to reach others which are not justified. I do not know the number in the province of Quebec, but I presume there must be many contracts between fathers and sons for the sale of farms. A contract to sell a farm may be made for a 15-year period. In no sense is there any attempt to defraud the government. I say we should not deal with cases such as these as though we were dealing with criminals.

In summary, we are not against the estates tax principle. We point out that there are and there will be certain difficulties in dealing with the question in the provinces of Ontario and Quebec. I object to certain collection provisions. It is impossible to tell how efficient the bill is until we have seen its terms. We look forward to a careful examination of the terms proposed by the Minister of Finance in the committee to which this bill will be referred.

**Mr. Crestohl:** Mr. Chairman, I just have one observation to make arising from the fear that perhaps the minister or his advisers possibly may have overlooked to some degree a situation peculiar to the province of Quebec. I hope, Mr. Chairman, you will allow me to make some reference to one of the provisions of the income tax resolution which is necessarily associated with succession duties.

I should like to point out that under paragraph 6 of the income tax resolution provision is made whereby a husband can transfer to his wife once in his lifetime a \$10,000 interest in their common home or residence. If this provision is not carefully handled in the province of Quebec which, as you know, Mr. Chairman, is the only one of the ten provinces—

**Mr. Fleming (Eglinton):** On a point of order, Mr. Chairman, I do not wish to interrupt the hon. member, but surely he is talking about paragraph 6 of the income tax resolution.

**Mr. Crestohl:** The minister is perfectly right.

**Mr. Fleming (Eglinton):** What has that to do with the resolution now before the committee which is a resolution in relation to estate tax?

**Mr. Crestohl:** I did address myself to the chair and said that I must refer to one of the sections in the income tax resolution in order to associate my argument with the succession duty act. I think the minister missed that part of my statement.

[Mr. Macnaughton.]

**Mr. Chevrier:** He was preoccupied.

**Mr. Crestohl:** It is quite all right but I think if he hears my statement he may find it helpful rather than critical. A husband in the province of Quebec who desires to transfer a \$10,000 interest to his wife under that section of the income tax resolution can certainly do so but under the laws of the province of Quebec where husband and wife are common as to property he cannot do it. In other words, we in the province of Quebec feel that because we are a community as to property province—I can see the minister is a little uneasy but he does not have to be.

**Mr. Fleming (Eglinton):** I wish to proceed with the resolution before us. I do not wish to have disputes over points of order. With all respect to my hon. friend, up to this point he has not shown any relevancy to the matter of estate duty.

**Mr. Crestohl:** I certainly will.

**Mr. Fleming (Eglinton):** I fully expect that my friend will be raising this question when we come to the sixth paragraph in the resolution respecting changes in the Income Tax Act.

**Mr. Crestohl:** But it might be too late then because the \$10,000 under the system in the province of Quebec, where there is community as to property, will revert to the succession and that is why I want to tie it in. In the province of Quebec the husband and wife who are common as to property will lose the benefit of having such a transfer made. In that province no gift can be made by a husband to his wife who is common as to property. I have examined the matter rather carefully.

Let us assume that the husband does make a transfer of title to his wife. The wife may later be prejudiced in this way. When the husband dies the wife will not be the owner of a half interest in a \$20,000 home because she will not have title to the \$10,000 which her husband gave her under the Income Tax Act. Therefore the amount will revert right into the succession. As a result genuine prejudice is suffered there.

Let me put it in figures. Let us assume there is a \$100,000 estate. If the wife had received what she thought was a gift of \$10,000 from her husband under the Income Tax Act provision she would be left with a \$90,000 estate because the estate would be depleted by the \$10,000 which the husband had given to his wife. Assuming there are no children, the wife is entitled to a \$60,000 exemption. There would then be an estate of \$30,000. But if it is later found that the transfer of the gift to the wife, who is common as to property, is void there will be a \$40,000