

Income Tax Act

At present, the RRSP would be divided equally and taxes of approximately \$2,400 applied to each portion. This would leave each child \$10,000.

● (2032)

If the proposed changes are accepted, the value of the RRSP would be added to the salary for the year, giving a taxable income of \$40,000 on the planholder's final income tax return. At Saskatchewan rates, income tax on this amount is \$13,022. From \$13,022 must be deducted the income tax on the salary (\$1,968) that would be collected anyway, leaving \$11,054 of tax applicable to the RRSP.

So the value of a \$25,000 RRSP is reduced to \$13,046 by taxation.

Each child would receive \$6,873 (instead of \$10,100 under the current rules).

It should be noted that this example has been simplified. It does not take into account any capital gains that would be realized at death. If capital gains are realized and/or the salary and RRSP are larger, the loss to taxes would be greater.

I see the minister has walked out of the House in the middle of my representation and my asking a very, very important question. Perhaps we would get more satisfaction if the officials on the floor gave us some answers, instead of the minister walking out when we raise these issues.

Mr. Lumley: The hon. member would have received his answer if he had been here between four o'clock and 5.30 when this point was discussed. The representation he has just made has already been made by three or four members in the House.

Mr. McKenzie: Obviously the answers were not very satisfactory. I was not able to be here between four o'clock and five o'clock. Was this particular example read into the record at that time?

Mr. Knowles (Winnipeg North Centre): Yes, it was.

Mr. McKenzie: Did the hon. member for Winnipeg North Centre get a letter from the Assiniboine Credit Union also?

Mr. Knowles (Winnipeg North Centre): Yes, and so did the hon. member for Winnipeg North.

Mr. McKenzie: Obviously the answers were not satisfactory this afternoon. I do not know whether the hon. member for Winnipeg North Centre received a satisfactory answer. It is unfortunate that I could not be here this afternoon; however, we are still discussing clause 34 tonight. I wish to make representations on behalf of this credit union and I would appreciate it if the parliamentary secretary would fill me in. Perhaps their thoughts have changed since this afternoon.

Mr. Lumley: Mr. Chairman, representations from the Assiniboine Credit Union have already been made by the hon. member for Assiniboia, and the minister acknowledged him this afternoon.

An hon. Member: It is not the same letter.

Mr. Lumley: The letter the hon. member has been referring to is the same letter which has been received by many members from many credit unions across Canada, so the representation has been very similar. Rather than take up the valuable time remaining, because we have approximately 20 more clauses to address ourselves to tonight, I would suggest that

[Mr. McKenzie.]

the hon. member read *Hansard* tomorrow for the satisfactory answer which the minister gave.

Mr. McKenzie: I am afraid it cannot be sluffed off that easily, Mr. Chairman. We are talking about too many people. I do not know whether the whole letter was read into the record this afternoon.

Another concern the credit unions have is listed in this letter:

Co-operative Trust is also concerned about proposals that may mean lower interest rates and higher costs for the annuity funds that planholders buy with their RSP savings at retirement.

If the proposed changes are implemented, planholders between ages 60 and 71 could buy a term annuity providing payments to age 90. This represents a term of between 19 and 30 years.

But the planholder would have the option of basing the term on the age of his/her spouse, if that person is younger than the planholder, so the term could be much longer. For example, if the planholder is age 60 and the spouse is age 50, the term could be either 30 or 40 years. And the interest rate would have to be guaranteed for the entire term.

Interest rates on the annuities will be low because issuers will have to guarantee the rate over a long period of time without the assurance that the annuity will remain intact throughout the guarantee period.

This is because it is proposed to have all remaining funds paid out at the time of the planholder's death, whenever that may be.

I do not know, Mr. Chairman, whether this whole letter was read into the record this afternoon, but it is one worth-while reading in a second time to get the point across to the minister and his officials. I would like the parliamentary secretary to give us some indication whether they are going to have a second look at these requests, or is the matter to remain just as it is?

Mr. Lumley: Mr. Chairman, I want to thank the hon. member for reading the whole answer into the record. As I recall, the second part was not read previously. As the hon. minister has indicated, this is a very complex and important issue, and we are grateful to the credit unions for bringing this to our attention. As was indicated this afternoon, we will be discussing this with the credit unions and other financial institutions to attempt to arrive at a reasonable solution.

Mr. McKenzie: I am glad the parliamentary secretary brought to my attention the fact that the whole letter had not been read into the record. I will read another section. It is entitled, "Age to be set":

It is also important to note that it is now proposed to legislate an age at which RRSP annuities could start.

Under current rules, the annuity can start at any age. But it has been proposed that the planholder would have to be at least age 60 to mature the RRSP. If the plan was collapsed before age 60, the entire amount would be included in taxable income for that year.

These long-term disadvantages to the proposed changes to RRSP legislation have been overlooked in some public comments by other business and consumer organizations.

The whole letter has now been read into the record. I hope the minister and his officials will give this their full and complete consideration.

Mr. Benjamin: I will not read the letter again, Mr. Chairman. In fact, I will not read any of the letter again. The