

Income Tax Act

Mr. Chrétien: No, not at the time that we drafted the budget. There is nobody in this land who could draft a piece of legislation without the possibility of some difficulty or problem. No one can foresee all the possibilities. Those who are so perfect do not exist. I have said that we found a problem which I am willing to study. When we designed the proposition we wanted it to be consistent with provisions of the Income Tax Act.

One can always support an argument by specific circumstances. One can always dream up a hypothetical case that might make anyone cry. I am just saying that I have recognized the problem and have started to work on it. I have given the undertaking that I will look into it. With the information I now have I think there may be a problem. I will study the matter and propose an amendment on the next occasion. If I obtain additional facts that contradict my present view I will perhaps make a different judgment. However, the way I understand it today, I think it will make sense to bring forward such an amendment. It would be irresponsible for me to draft such an amendment between six and eight o'clock because we might in this way provide a loophole, creating further prejudices and additional problems.

An hon. Member: That is more time than you spent with the provinces.

Some hon. Members: Oh, oh!

Mr. Chrétien: I think the smart aleck from Saskatoon-Biggar—

An hon. Member: Just leave off the "aleck".

Mr. Hnatyshyn: I will have something to say to you later.

[*Translation*]

Mr. Chrétien: Mr. Chairman, I recognized that there was a problem and I am considering it. On the first occasion, if the information I have remains the same I will introduce an amendment.

There is no perfect situation and when we try to improve the lot of pensioners, to make conditions more flexible, they want us to remove everything because there is a problem. I do not intend to abolish the clauses and the risks to try to satisfy the hon. member. If necessary, we will present an amendment.

[*English*]

The Deputy Chairman: Order, please. I regret to inform the hon. member for Provencher that his time has expired.

Mr. Orlikow: Mr. Chairman, I rise to make a few comments during this debate, and I do not apologize to the hon. minister for making representations on the basis of information and communications which I and other hon. members have received from our constituents.

Tax legislation is now so complicated that very few members of parliament can understand the implications of every provision. That is not surprising when we realize that the Minister

[*Mr. Epp.*]

of Finance, with all his senior bureaucrats backing him up, was not aware of the implications of the change being made.

Let me quote a couple of paragraphs from a letter I received from the Assiniboine Credit Union, one of the largest credit unions in the city of Winnipeg. This is just part of what is said in this letter of June 12 addressed to me:

● (1722)

We strongly object to tax RRSP funds in a lump sum at the time of death (or spouse's death).

We urge you to maintain the flexibility in tax options now available for members who become entitled to RRSP funds after a planholder's death. In particular the option to purchase an income averaging annuity and the right of the recipient to pay income tax on the amount received. This is of particular importance to recipients in the low income tax bracket.

These are precisely the people I am concerned about, Mr. Chairman. The minister says if we do not pass it today nothing has really been changed. If the case made in the document in which my colleague, the hon. member for Winnipeg North Centre, quoted from is correct, then there is a pretty substantial change in what will happen as compared to what the law has provided up until now. I refer the minister and his officials to a document entitled "Trust Trends" which, I understand, was sent either to the minister or his parliamentary secretary. I would like to quote one small paragraph from this document:

Under current rules, it is the recipient of the RRSP funds who is taxed when the planholder dies. It is now proposed to include the RRSP funds on the planholder's final income tax return.

In other words, it is going to be calculated on the planholder's final income tax instead of on the recipient's income tax. They give an illustration of a person who dies on December 31 in a year in which his salary amounts to \$15,000 and who leaves an RRSP worth \$25,000 to two children under 16 years of age and not working. The way the RRSP has worked up until now each child would have been left \$10,100 after taxes. Under the new law as proposed in this bill each child would receive \$6,873 instead of the \$10,100 under the current rules. That illustration indicates the need for change.

I am happy that the minister has said he is prepared to study the situation. I am not happy with his suggestion that he will bring in an amendment at some time in the future, because I do not know when that time in the future will be. I am concerned about these people.

I was very interested in the minister's comments about how changes in this particular bill will affect the way in which we deal with income under other provisions of the Income Tax Act, and the minister's suggestion that we have to keep in mind equity in attempting to keep things fair. I would be much more prepared to listen to the minister's homilies about the need for equity if I did not know how poorly and how inequitable the present income tax system works.

I refer the minister to a publication issued by Revenue Canada, "Taxation Statistics, 1977 Edition", which deals with incomes for the year 1975, the most recent year for which figures are available. This publication tells us that there were 226 persons in the year 1975 who earned between \$50,000 and \$100,000 and who paid no income tax at all, 58 persons who