

*Supply—Finance*

his client in the present circumstances is: Don't die until we know what it is all about.

The Hamilton Chamber of Commerce recently presented a brief to the minister. In it they pointed out that the apparent tax saving attendant upon the surviving spouse receiving the estate exempt from tax was really a snare and a delusion; it was only a delaying of taxation, payment deferred. I reiterate that the exemption to spouses is not really a tax exemption at all but a tax deferment. Estates will eventually be taxed fully and at a much higher rate than formerly.

The Hamilton group viewed with most alarm the possible drastic effects of the minister's hastily formulated estate tax proposal on the Canadian economy. It would be interesting to hear from the minister regarding some of these questions. I wish to quote from the brief of the Hamilton Chamber of Commerce as follows:

How many Canadian corporations will be purchased by foreign ownership because the estates will be unable to meet the excessive taxes resulting from the death of a principal shareholder? This question should be a point of concern for all Canadians and particularly the representatives of those Canadians who have stated on numerous occasions that foreign ownership is not in the best interests of Canada.

The second observation in the brief is this:

How many Canadian corporations will be forced into liquidation because a buyer could not be found to provide funds for estate taxes? If this seems like a remote possibility, consider, if you will, the taxpayer who works a lifetime and builds a business worth \$1,500,000. On his death his estate will be subject to estate taxes in excess of \$700,000; he will not have been able to gift a large portion of his estate during his lifetime nor will the postponement of taxes until his wife's death alleviate the problem. If a suitable buyer cannot be found in a relatively short period of time, then the executors of the estate may be forced to liquidate the assets of the business to meet the tremendous tax bill.

How many jobs for Canadians will disappear because of these forced sales and liquidations? Would the net effect of these increased estate and gift taxes be, in the long run, a loss in revenue to the federal government rather than as anticipated an increase in income from these areas?

Is it the intention of the Canadian government to end the possibility of a Canadian corporation being carried on by future generations?

The Hamilton brief summed up by stating:

It is our feeling that a situation that was drastic prior to this budget has become catastrophic.

There were in the brief some recommendations that I believe are worth repeating. It states:

● (4:20 p.m.)

It is our opinion that if these resolutions are adopted as proposed, there will be a serious effect

[Mr. Downey.]

on the Canadian economy. It is our feeling that a situation that was drastic prior to this budget has become catastrophic.

Then, in referring to the family corporation they say:

The excessively high estate and gift taxes will only serve to suppress the initiative required in a democratic society. Too many Canadian business owners will succumb to the lure of foreign dollars and sell their businesses during their lifetime. This will enable them to retain their estates in liquid investments, rather than continuing to expand their corporate operations, knowing full well that the business will be lost to the families at their death—

The Canadian Chamber of Commerce recommended that—

—in view of the adverse effect of the estate tax on the economy and the relatively small amount of revenue produced by this tax, it is recommended that the estate tax be abolished.

I think that as citizens we all feel that way. It goes on to read:

If no progress can be made in the area of reducing estate and gift taxes, we would suggest that steps be taken to permit the Canadian corporation to pass between generations without tax. This step would at least relieve our major fear, that in the long run the Canadian economy will be the loser.

I believe the minister was less than forthright in his explanations of this proposal. It certainly almost borders on being a fiscal sleight-of-hand. Perhaps the minister did not have the benefit of the report of the Ontario economic council before he brought in these unfortunate schemes. That report damned estate taxation all around the clock. It used such words as "discriminatory", "confiscation", "penalize", "discourage", and so on. Of course this report was made prior to the minister's announcement of the new estate tax set-up. It dealt with the general theory of estate taxation. It regarded it as an iniquitous and disastrous course in any free enterprise system.

The council was most concerned with the effect of estate taxes on family businesses, small business generally and the discouragement of thrift and personal initiative. I contend that this is exactly what we will get out of these proposals, namely a dampening of personal initiative.

The report of the Ontario council said the following:

Those responsible for guiding the course of our nation's development need only look to history to find proof that nearly every past civilization has hastened its ruin through its dissipation of capital through taxation.