

the advantage of those who want to get around them.

In that lapse the position was quite strongly put forward that this is the kind of tax that is going to bear more heavily on those least able to pay. I am not entirely convinced that that position which was taken by the official Opposition in the other place necessarily constitutes a valid criticism. I say that for this reason. If the yield of this tax is to be applied almost entirely to national insurance welfare schemes, then it is hard to argue that there should not be a fairly close relationship between the premium paid and the benefit received. I would put forward this position because I do not think it has been put forward before. It makes some sense to put a reasonable top limit on the premium, and to say that those who are able to pay will only pay so much more than the premium would be if it were distributed on an actuarial basis.

That is not the whole of the argument; it also comes back to the earlier suggestion I made, and which Senator Hayden also made, about the necessity of segregating these funds. If they were segregated in the public accounts, this particular position which I am suggesting as being valid at the moment would become very clear. The same of course would apply to this 2 per cent so-called Social Development Tax which we all know is going from the taxpayer straight into the consolidated revenue and will never be accounted for in terms of its name, its designation or the reason given for its imposition.

Another rather unusual aspect of this bill is that we are here today debating whether this tax of \$440 million shall be imposed on the Canadian people. In fact it has been imposed on the Canadian people since the last budget. Normally if a senator rose here and spoke of the "last budget," he would mean the last budget. But in this case it has nothing to do with the last budget; it is the budget before the last budget. Surely the Government is subject to criticism for allowing us to get into this absurd position where we have a budget before us and we are still trying to legalize by the due process of Parliament taxes imposed in the budget before.

Now, I am fully aware that the present Government has developed a practice recently of presenting a budget every six months. I am not particularly opposed to that; it may make very good sense, although we used to speak of an annual budget as though it were a sort of institution. But surely if we are going to have semi-annual budgets, there is a

responsibility on the Government to clean up the previous one before another comes along, because untidiness in the legislative and executive processes invariably leads to abuses. That is a fact of the history of legislation. I might say that in a very minor way the same principle applies to my objections when our own rules are thrown out the window.

Honourable senators, at this late hour I am not going to attempt to follow Senator Hayden through the odyssey of the other changes contemplated in this bill. He performed a remarkable feat in making some sense out of the method that has been used to draft this bill, to explain the changes in taxation on life insurance companies. However, there are some changes that are still not clear to me and I hope that these will be discussed in committee. We have read that some Canadians, not a great many, are in a bit of a panic and cashing in life insurance policies and taking the cash surrender value because they have been told there is going to be a tax on the proceeds. There is nothing in the act to say that this is so, but the Government has not been very astute in getting across to Canadians the impact of this legislation on their insurance policies, and as we all know no country in the world has as large a percentage of its population holding life insurance policies. I am referring to clause 20, subclause 9 paragraph (a) where we have a cut-off date of the October 22, 1968, and then this two-year period of grace after which the investment increment in a life insurance policy will become taxable as income.

I suggested a moment ago that this bill puts the foot of the income tax collector into the door marked "capital gains tax." It is interesting to me to note that the minister in discussing the bill used the phrase I have just used, "investment increment." What is going to happen is that the investment increment on a life insurance policy is going to be taxed as income. If this is so, is this the forerunner, the warning signal, as it were, that this is the first step in the introduction of a new principle of taxation in Canada? Because if by this simple, almost backdoor, hidden method, it is possible to call the investment increment on a life insurance policy "income," then it is possible, without even mentioning capital gains tax, to legislate that the investment increment on any other type of investment is income.

I am not clear from the act how this income will be taxed. It appears to me it would be on the basis of something like this. At the time of disposition of an insurance