

*Income Tax*

2. Are such employees paid from supplementary estimates and, if not, from what estimates are they paid?

3. By province, what was the (a) average hourly rate paid to employment agencies (b) average hourly rate paid to employees (c) total amount paid by the Army Benevolent Fund in (i) 1975 (ii) 1976?

**Hon. Daniel J. MacDonald (Minister of Veterans Affairs):** The Army Benevolent Fund Board has advised me as follows: 1. (a) 1975, None; 1976, One part-time employee in Ontario. (b) None.

2. Paid out of general Fund as per authority ABF Act 1947, Sec. 8(2).

3. (a) Ontario only, \$6.40 per hour; (b) Not available; (c) 1975, Nil. 1976, \$636.80.

## PROCEEDINGS ON ADJOURNMENT MOTION

[English]

### SUBJECT MATTER OF QUESTIONS TO BE DEBATED

**Mr. Speaker:** Perhaps I should indicate to the House that, pursuant to our revised practices, at two o'clock this afternoon the matters to be raised pursuant to Standing Order 40 are as follows: the hon. member for Saskatoon-Biggar (Mr. Hnatyshyn)—Post Office—Request for assurance surveillance of mail not permitted; the hon. member for Halifax-East Hants (Mr. McCleave)—External Affairs—Measures to aid employees affected by change in value of Canadian dollar; the hon. member for York-Simcoe (Mr. Stevens)—Finance—Request for estimate of level of unemployment next year.

## GOVERNMENT ORDERS

[English]

### INCOME TAX

#### MEASURE TO AMEND

The House resumed from Thursday, November 10, consideration of the motion of Mr. Chrétien that Bill C-11, to amend the statute law relating to income tax and to provide other authority for the raising of funds, be read the second time and referred to committee of the whole.

**Mr. Bill Clarke (Vancouver Quadra):** Mr. Speaker, when the debate was adjourned last Thursday I was in the midst of saying something about the policies the government introduced in this bill dealing with life insurance policies owned by Canadians. I believe it to be worth while to repeat the inconsistencies in this proposal, particularly those which state that some loan interest shall be deductible but not interest on a loan before a certain date. In other words, the government is saying

[Mr. McKenzie.]

that the general rule of income tax which states that interest paid out on loans obtained for the purpose of earning income is deductible, is not in effect in respect of interest on loans on life insurance policies.

The reason for this, given by the former minister of finance, is that some loans are repayable and some are not. The minister seems to have come up with the equation that if you borrow from a bank, the loan must be repaid; but if you borrow from your life insurance company by way of a loan on your policy, that is not a repayable loan—ignoring the fact, of course, that the insurance company will certainly collect the loan at some time or another, even if it waits until the borrower dies. After all, insurance companies have a responsibility to their policyholders and their shareholders.

In addition, all loans on policies are deemed to give rise to a capital gain, so we have another inconsistency because the government now says, as a final concession, that when you die, it should not reach into the grave and take money away from your family: there is no application of the capital gains tax. However, if there is a cashing-in of a very small policy, or if a loan is taken out on a policy, this gives rise to capital gains tax. I just wanted to repeat those inconsistencies as I was in the midst of dealing with them on Thursday.

Let me point out the final anomalies of these provisions. Anyone who now wishes to borrow on his life insurance and has a built-in rate of 6 per cent or 8 per cent—whatever it happens to be—will find that he has to take his equity in that life insurance policy to the bank or other lending institution and will end up paying in excess of 10 per cent or 11 per cent, probably about 14 per cent, in interest. That should not be too surprising to us because we have seen an example of this in other policies of this government where by some magic it thinks that even though the inflation rate is growing at 8 per cent and plus, the wages and dividends of shareholders, including the dividends of retired people who rely on that kind of income as a major source, is keeping pace when in fact it is sometimes under 6 per cent. Everyone knows that inflation is taking place at the rate of 8 per cent or plus, and the average individual cannot get along with a 6 per cent increase in income.

I think this situation is not surprising, for another reason. We have heard the distortions made in the current debate, and I think particularly of the Minister of Industry, Trade and Commerce (Mr. Horner) who in his speech was critical of those on this side. Although statements to the contrary have been made, the minister criticized hon. members on this side for riding to power on the backs of the RCMP. I think that was the way he put it. We have seen other ministers in the country, being quoted and misquoted as a result of statements, taking that same point of view. I suggest that the people will not be fooled very much longer. They will understand that the policies this government is instigating will not work, and I suggest that this government and this kind of policy will no longer be tolerated.

**Hon. Robert K. Andras (President of the Treasury Board):** Mr. Speaker, on October 20 my colleague, the Minister of