would make afterwards—at least, I am presumptuous enough to say that. There are deductions allowed in computing the income of a life insurance corporation. At page 16 of the old bill, and page 17 of the new bill, subsection 3 deals with the deduction of policy reserves, which are the actuarial reserves which life insurance companies must set aside in respect of liabilities that will arise in future under policies that have been issued. Such reserves are provided by draft regulations already tabled, such draft regulations permitting the net level premium method in computing net actuarial reserves.

Please note that while I have said that the section to which I have referred indicates that the method is set out in the regulations, the regulations are only in draft form at this time, but they have been tabled as such, and may quite likely be in this form when they are finalized. However, this reservation has to be made now.

The first item of deduction, then, is policy reserves. The second item is the additional reserves for group-term policies. This is also computed by regulation, and can be accumulated in an accrual amount of 2 per cent of premiums not to exceed in total 50 per cent of the premiums of the year, nor the amount set aside as a reserve for such policies in statements filed with the federal and provincial superintendents of insurance.

The third item of deduction from what might otherwise be income is policy dividends from a life insurance business. This will be found at page 24 of the old bill and at page 27 of the new bill. There are four features which should be noted in connection with policy dividends. One is that the total amount so deductible is limited to the income from the participating life insurance business in the year. The second is to the extent that if policy dividends are not deductible in any year they may be carried forward and deducted against participating profits in a subsequent year.

The third is that policy dividends may be deductible on an accrual basis. They can be claimed in respect of an amount set aside in the financial statements as a deduction for an accrued amount which will be paid in the following year, but this amount cannot exceed 110 per cent of the policy dividends actually paid in the following year.

The next item of deduction is what they call experience rating refunds and other special adjustments to non-participating premiums provided they are paid during the year or within twelve months thereafter. They are generally described as refunds of premiums, and you will see that section 74 of the present Income Tax Act, which deals with this matter of refunds of premiums, is made applicable by amendments in this bill to life insurance business in Canada. This will be found at page 17 of the old bill and at page 18 of the new bill.

The further deductions are these: A deduction is permitted of anything that goes into the policyholder's income as in the case of an investment revenue in a segregated fund. A further deduction is the investment income tax of 15 per cent, which is deducted from corporate income before you arrive at taxable income. Then, any payment of income destined for the policyholders, and the aggregate of losses in the year on Canada securities—I call to your attention the fact that I said "Canada securities" and not "Canadian securities". "Canada securities" is a term that is defined in the bill, and it includes all kinds of securities such as bonds, debentures, et cetera, but not stocks.

You may also deduct an investment reserve. A formula is set out at page 18 of the old bill, and page 19 of the new bill, providing for a basis for amortizing in relation to losses on bonds, mortgages, and other securities.

Generally speaking, those are the deductions. They are certainly the main and principal deductions.

We come now to the second group. If you remember, I referred to clause 28 which provides a special 15 per cent tax on investment income. This is the one that I say is difficult to read, because you find deductions and inclusions and deductions from tax, which seem to be out of order for an easy appreciation of what is meant.

I have jumped ahead to investment income. Before dealing with that I should like to discuss for a moment the rules for computing income that has to be included, or the rules that are to be observed in making the computation of income, and what items are to be included in income. For instance, under the present income tax law the usual practice has been that if you take reserves at the end of the year you bring them back into income at the beginning of the next year and determine what amount you need at the end of the next year and set up your reserve system again. On page 19 of the old bill and page 20 of the new bill, section 68A(4)(a) provides for taking back into income the previous year's reserves