

Income Tax

other thing that I want to emphasize—and I must say that I agree with the Minister on this—and that is that no policies that have been in effect prior to December 2, 1982 will be affected.

• (1220)

I have sold a lot of insurance over the years. The Minister mentioned 20-pay life, which was suitable for a small family. A great majority of people bought straight or whole life insurance—"pay till you die". In that case, even after a number of years the cash value will never equal the amount of premiums paid in. I own policies which are probably 30 or 35 years old and are worth a few thousand dollars, but I have paid more than that into them. I know that they are home free anyway.

People are approaching life insurance differently these days, Mr. Chairman. I wonder why the Minister's officials have been using the rubber hose on him and on his predecessors to get them to include this life insurance provision in the Bill. There will be little or nothing invested in new policies because the people who are buying insurance today are buying term insurance for protection. Anyone is an idiot to buy a life insurance policy for an investment—and I represent a life insurance company—with the great deals that are around today, even with lower interest rates. No one is going to pay \$48 or \$49 per year for 20 years for a \$1,000 endowment, as they used to do for investment or for education or whatever. People who want pensions are saving for their old age with annuities. As Members of Parliament we get a real break, much more than anyone else, even with the annuities that the Minister says are tax dodges—or words to that effect.

I am trying to get down to brass tacks, Mr. Chairman. I suppose the Minister's officials will not concede that this provision is not going to be worth the money that will be spent trying to enforce it. There are certain laws which the Government in its stupidity, brings in and then, in its wisdom, realizes it cannot enforce. The Minister of Communications finally threw up his hands on the problem of dishes for TV reception. Regulations could not be enforced.

The Minister is not dealing with individual policy-holders who have \$1,000 or \$5,000 insurance policies, but with millions across the country. It might be possible to check a multimillionaire but he would not have insurance policies that the Government could get its claws on even if they were taken out after December, 1982. The multimillionaire would be buying protection insurance or investing in real estate and other things that give a better return on investment and can be easily liquidated.

I wonder why the Minister wants to continue with this. I have a couple of hundred letters from policyholders and about 50 letters from insurance agents whose livelihood depends upon this activity. Of course, they are screaming blue murder, and the Minister has softened things a little in order that they may continue in business.

I should like the experts to tell us what percentage of policies will be subject to tax from December, 1982 onwards.

How much money will they produce and when is the Government going to get it? The policies did not go into effect on December 2, 1982. It will be 10 years before they have any cash value. Even policies that will have a reasonably high return will not have it in the early years. They will certainly not wipe out the deficit. I do not know how many years will go by before they produce five cents.

The Assistant Deputy Chairman: Order, please. The Hon. Member's time has expired.

Mr. Lambert: Mr. Chairman, I should like to say that as a matter of principle I wonder why the Government introduced this particular motion. We all know that in the normal course of events a great deal of life insurance was bought with cash-paid dollars, or savings. To that extent only, the earnings of the policy could be taxed. In the case mentioned by the Hon. Member for Calgary West, there was no deferral of tax unless the entire premium was claimed as a donation to a charity, and then there was only a partial allowance.

The Minister has been at pains to show, in derogation of the November 12 budget, that in December of that year the Minister of Finance made a switch because the original budget proposal covered all insurance. All existing insurance was going to be subject to the three-year accrual rule. Policyholders would pay tax on money they would never see. That is unjust.

Then there was a change that grandfathered all present policies. There were further changes as well. The Parliamentary Secretary will know that last August and September, when representatives of the insurance industry appeared before a subcommittee of the Finance Committee which was hearing representations on the then Ways and Means motions, they were most exercised and protested vigorously.

Now the Minister is proud to read into the record letters from the Life Insurance Association and the Life Underwriters association stating that the problems have been resolved. Perhaps I could agree with the Hon. Member for Parry Sound-Muskoka that the industry was prepared to lose half an arm. The industry will not lose, of course, but policyholders will because it is they who will be taxed, not the industry.

If 95 per cent of business that is to be written in the future is going to be in the exempt categories, what is the purpose of this exercise? Will that 5 per cent yield \$74 million? That is utter tripe. There is not that much life insurance written yearly. Will 5 per cent written since December, 1982 produce taxable revenue? And not only taxable revenue, but revenue? I cannot see that an individual buying an annuity, even on a 20-year or whatever is a non-exempt basis at the present time, is going to be eligible for a deferral of tax.

• (1230)

If I make payments into an annuity plan, I make them with tax-paid dollars. The income earned on that investment should not be taxed. It is not received by the individual. There are many instances, as the Hon. Member for Calgary West indicated, where there are court ordered divisions of annuity