

Income Tax

which in fact have the force of statutes. The people enforcing them are not responsible to parliament. Of course, the difficulty we face in this matter is that most of the legislation which is brought in indicates, in the preamble, that the governor in council shall attach regulations thereto upon proclamation. Further down in the legislation it is usually indicated that the governor in council may change regulations from time to time as required. Therein lies the problem. We are being regulated more and more, which is costly.

A representative of Bell Canada appeared before a committee last year and informed us that it cost the company \$15 million annually to comply with government regulations. Also, we were told that the fastest growing division of Bell Canada was their legal department, because of the massive amount of government regulations which have to be dealt with. Members of parliament have a responsibility to do what they can in order to attain some measure of control over the imposition of regulations on society, and placing in the hands of bureaucrats powers beyond those of the Parliament of Canada.

Having said those things, I should like to turn again to discussing some of the aspects of Bill C-11. I do not intend to get into the details of the bill, because we will be studying it clause by clause, but I want to dwell briefly on the insurance aspect. In its wisdom, the government has seen fit to move away from one portion of the insurance adjustments recorded in the budget speech of last March. When it came to light that it was the intention of the government to tax insurance policies upon the death of an individual, we were, obviously, quite upset.

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What particularly upset me was the fact that the government was going to deem that a person had cashed in a policy before in fact dying. In other words, an insurance policy was going to pay a beneficiary a certain sum of money, but in its desire to collect revenue from that policy, the government was going to say that something was done which really was not. The government was going to deem that that policy was cashed in, so that it could collect some taxation on it. At that point I said to my colleagues that I hoped one of the insurance companies would have the courage to test that in the courts, because I do not think any government should be able to deem that something was done which was not done.

Mr. Douglas (Nanaimo-Cowichan-The Islands): They cannot deem you are dead.

Mr. Kempling: Perhaps they can deem that you are back to life. These fellows will try anything. However, it seems to me that that would be a very unfair way of trying to sneak away with some revenue. When we looked into it, we found that the insurance companies could not have cared less. It was not going to affect them one bit. It was going to affect policyholders, but it was also going to affect dramatically insurance agents who sell insurance, because they sold policies in good faith and would have to go back to their clients to tell them that the policies were going to be taxed.

[Mr. Kempling.]

We asked some officials about this. They could not even tell us how much revenue they would get from the tax. I suppose like many other hon. members, I prepared a little article for the newspaper castigating the government for this terrible deed. I encouraged my constituents to write to the minister asking him to withdraw, and to send me copies of their letters. I received literally hundreds of letters on this matter. I have spoken about it on many occasions. I assume hon. members from both sides of the House have been put under pressure and the government has yielded and withdrawn that feature of the legislation for reason.

However, one thing I am concerned about is that the government still insists on not allowing interest on loans which are taken against insurance policies to be a deductible expense. This is unfortunate. Many small businessmen, particularly those in the retail trade, use their ability to borrow on their insurance to help them in the conduct of their businesses. Many small retailers have a great deal of difficulty obtaining financing. Some of them do not have a very broad financial foundation upon which to base their businesses. They have to keep a large variety of merchandise in order to survive, and many of them have to buy ahead for, for example, Christmas.

They have difficulty getting financing at banks because most of them are in rented premises. Some of them have leased fixtures and some of their inventories are on consignment, so they use their ability to borrow from insurance companies against their insurance policies. I think it is a step backwards to tax these loans. It is rather ironic that if you want to buy a Canada Savings Bond you can go to one of our chartered banks, borrow money from the bank to buy the bond, and deduct the interest charges as an expense; but if you go to an insurance company to borrow \$1,000 against an insurance policy, you find that the interest cost cannot be deducted from your income. When we get to clause by clause study, many hon. members will speak about this and, hopefully, we will be able to get the government to yield on that point as well.

Another thing I want to deal with is the whole matter of confidence in the government and in the economy. I am a businessman; I have worked for large and small businesses. I am still involved in a business. Because of those facts, when I am in my constituency or travelling around the country, people in business contact me and tell me about their problems. I am really upset about the number of businessmen who are not sure they are going to make it through the year. Some of them have told me they will be surprised if they survive through the spring of 1978.

That is a deplorable situation. Part of this is due to the competitive nature of business, and part is due to the inability to get adequate financing in order to operate businesses. Many businessmen are looking at their earned surplus accounts and calculating how long it will be before those earned surplus accounts are down to zero and they begin to eat into their capital funds.

As I see it, the difficulty is that the government of this country for the past ten years has spent more time dividing up the nation's wealth than it has in concerning itself with