

Income Tax Act

Mr. Turner (Ottawa-Carleton): Shall we pass the amendment to the clause and stand the clause?

The Chairman: Shall the amendment carry?

Some hon. Members: Carried.

Amendment (Mr. Turner (Ottawa-Carleton)) agreed to.

The Chairman: Is it agreed that we stand clause 9, as amended?

Some hon. Members: Agreed.

Clause 9 stands.

Clauses 10 and 11 agreed to.

On clause 12.

Mr. Turner (Ottawa-Carleton): I have a technical amendment here to correct the French translation to correspond with the English.

[Translation]

I move that clause 12 of the French version of Bill C-49 be amended by striking out line 15 on page 26 and substituting the following:

... vente de biens immeubles, ...

The Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment agreed to.

[English]

Mr. Stevens: Mr. Chairman, this clause is a very important clause which deals with a very large subject, and I feel it would be helpful if the minister could give us a little detail concerning the implication of the clause and the full impact of the measure he is proposing.

Mr. Turner (Ottawa-Carleton): I set that out fully in the budget speech, but I will be glad to address myself to it again now. The clause proposes to reduce the maximum amount of a reserve which may be deducted by trust companies and other lenders of money, and to include in the assets eligibility for the reserve bonds and debentures held in the guaranteed fund of trust companies. There is a technical amendment in the clause to replace the words "principal amount by amortized cost." Subsection (3) of the present tax act permits reduction of the reserve to the extent of 1½ per cent specified assets of trust companies and other money lenders. The amendment will leave the maximum rate of the reserve at 1½ per cent for the first \$2 billion of specified assets but will restrict the rate to 1 per cent of the remainder of the specified assets.

Mind you, Mr. Chairman, a similar amount is being applied to the reserve which may be made by life insurers and by banks and credit unions under the act and the income tax regulations. Consequently all similar financial institutions will be depleted similarly with respect to these reserves. That is the purpose of it. I think I should note that the only financial institutions which at present have specified assets in excess of \$2 billion specifically covered by this amendment will be the six largest banks.

[Mr. Lambert (Edmonton West).]

● (1520)

Mr. Stevens: Am I correct in stating that this is something only in reference to mortgages and related securities and that there is a different standard with regard to lending activities by chartered banks?

Mr. Turner (Ottawa-Carleton): No, Mr. Chairman, we are talking about the reserve of the institutions that can be set aside for tax purposes as against the value, for tax purposes, of their assets. We are lowering the amount of reserves in those institutions to 1 per cent for that amount of reserve over \$2 billion.

Mr. Stevens: Is this new standard something that will be applicable to the general lending activity of the chartered banks? I am not talking about debentures or mortgages, but the ordinary commercial consumer business lending of the chartered banks.

Mr. Turner (Ottawa-Carleton): It is not a new provision. There is a present limit on the reserves for tax purposes of 1½ per cent that is built up against all liabilities of the institution. We feel that based on the experience of the last generation of our banks the reserve is high enough to bring some of that back into tax. We are suggesting, though, that the first \$2 billion be protected by the 1½ per cent, but when they reach over that we lower the percentage from 1½ per cent to 1 per cent.

Mr. Stevens: Can the minister give an estimate of the amount of revenue he anticipates being generated as a result of the change?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, that is in the supplementary information to the budget filed in the House; it is \$45 million.

Mr. Lambert (Edmonton West): This is a once in a lifetime operation; it is a windfall because of the change in the tax. I am not too sure that the arguments are strong one way or another on it. We know that banking assets have gone up because of inflation, and naturally the reserves have gone up. We know that in certain bank stocks there may have been some losses tucked away against those reserves, but I am not too sure that the picture is entirely the same as it was last year.

There is one area that still puzzles me, Mr. Chairman, and that is why the minister and his advisers moved in on the life insurance companies. We know that the major life insurance companies are mutuals and their shareholdings are owned by policy holders. Every amount of tax is going to be a diminution of benefit under an insurance policy in some way or other. It is not there as a profit for somebody who is going to benefit as a result of the operations of the insurance company on behalf of others.

The Canadian life insurance companies are all mutuals; certainly the major ones are. Even when they started taxing the earnings that are applied toward policies—I suppose this was three or four years ago—the result was an increase in the premiums or a decline in the dividends that accrued toward the policies. I think this thing is self-defeating. Why does the minister feel that he has to move in on Canada's mutual life insurance companies? As the hon. member for Grenville-Carleton said, with the left