

*Income Tax*

going to do? Is he going to take money away from those two people?

**Mr. Cosgrove:** Mr. Chairman, the Hon. Member prefaced his question by saying he realized that this was a matter of provincial jurisdiction, that is, the issue of settlement of property rights. The law itself, the legislative authority, is, first of all, a matter of provincial jurisdiction and, as we know, that law varies. The legislation itself pertaining to the respective rights of spouses varies from one Province to another right across this country.

Second, the court, the Bench which rules and interprets the law, is under provincial jurisdiction. Therefore, this House does not have any authority over what the law will be nor, indeed, can we try to guess in advance how a court in any particular Province would interpret the legislation of the various Provinces. Without having a specific Section, Clause or case before us, it would be very difficult to guess what a court would do. And I do not believe that the proceedings of this Committee, or of this House, would really be advanced in that exercise. I do not believe we can try to guess what any court, whether it is a court which is interpreting implications of tax legislation inter-spouse for company purposes, for personal purposes, for relationships, or any kind of relationship. It is not useful for us to try to hypothesize what court rulings will be.

**Mr. Hawkes:** I do not believe it is a particularly complex question, Mr. Chairman. Let us assume that one spouse in a marriage has a whole-life policy which has accumulated quite a bit in an assets sense. The court orders them dividend into two policies. At that moment in time, when that occurs, are those two people liable for tax which they would not be liable for if the plan had been allowed to continue over the 20 years?

**Mr. Cosgrove:** Mr. Chairman, if the policy was purchased pre-1982, and I assume so from the question, it is not affected by the law. If the policy is an exempt policy, it is not affected by the accumulation. So it is very difficult, without putting some specifics on it, to guess what a judge would do, or what kind of situation he would be presented with. However, again we are told by the life insurance industry that the majority of policies are presently exempt and will be exempt in the future, so that in the majority of cases the question would not even arise.

**Mr. Darling:** Mr. Chairman, I would like to make a few comments and direct a question to the Minister. I suppose I should at this point declare a conflict of interest, as I have had a life insurance contract to sell life insurance since 1938. Therefore, I am reasonably interested in Bill C-139 and, of course, the many ramifications with respect to life insurance.

I was interested to hear the Minister read letters from the heads of the life insurance industry and also from the Life Insurance Association. I have been in touch with, and received letters from, these people, naturally not recently, but I presume the letters will start coming in now that this Bill is back in the House.

I believe the predecessor of the present Minister of Finance, when I questioned him in the House, stated that the problems had been solved. As a result of that I immediately wrote to the President of one of the major life insurance companies and asked him if, indeed, the problems were solved. His answer came back to me in words to this effect: "Mr. Darling, if you had been condemned to be executed and then had a reprieve and were told that you were not to be executed but you would have one arm and one leg cut off, you would certainly consider that a very good alternative." That is one thing which I would like the Minister to comment on.

There is another matter which I would like the Minister to comment on. This insurance clause, Clause 5, affects, I suppose, Mr. Chairman, a minimal number of people. I believe only 13 million people approximately are policyholders who are vitally interested in this Clause. I know that many Hon. Members on both sides of the House have received letters from life insurance agents in their ridings raising this question and are presumably very worried about it. I am wondering if the Minister could come up with some reasonable figure with respect to the question raised recently in the House as to how much money is going to be received from this.

I am aware that the present Government is so hard up for money it would probably "skin a louse for its tallow", and they are going to use every angle possible. I believe it was on the work in progress issue that one of the Members asked the Minister how much money the Government was going to derive from that, and, of course, the officials there went through the books and came up with a figure of, I believe, \$20 million on one angle and \$20 million on another angle. That is \$40 million. I am curious whether the Minister's officials would go through their books and tell us how much the Government expects to take out of the life insurance policyholders across Canada by even considering taxing life insurance.

The present Minister of Energy, Mines and Resources, when he was the Minister of Finance, brought in this very same measure and all hell broke loose. I suppose it was bombarded from every angle. As a result, in his wisdom the Minister withdrew it. The Hon. Member for St. John's West, when he was Minister of Finance, brought in a budget which did not please the Canadian people, although I am sure they would now be delighted to welcome it with open arms.

**Mr. Cullen:** We will see.

**Mr. Darling:** You bet your life you will see. Of course, when the present Secretary of State for External Affairs brought in his budget, his high-priced help again sneaked this measure in and he got it through. We know, of course, what happened there. That was back in November, 1981. There then was a sort of a changing or relaxing on June 28, 1982. The present Minister of Finance then made revisions in his so-called statement or budget of October, 1982.

I am wondering how much the Government is going to get out of this and how is it going to police it with the millions of