

Income Tax

same old debates I have carried on with my officials and other people.

Mr. Clarke: May I ask the minister if he could give the committee his assurance that it is not the intention to change the basic principles embodied in the Income Tax Act, that is, legitimate expenses for commercial purposes? Will they continue to be deductible?

Mr. Chrétien: I do not intend to change it.

The Chairman: Shall the amendment carry?

Amendment (Mr. Chrétien) agreed to.

The Chairman: I will now put the amendment to subclause 14(2), as moved by Mr. Chrétien. Shall the amendment to subclause 14(2) carry?

Mr. Stevens: Mr. Chairman, I was wondering if we could stand clause 14 and perhaps deal with the other insurance subclauses, as we did with the insulation grant amendments? I think it is much easier for those who wish to join in the debate to deal with it all in a package rather than jumping back and forth into the same type of debate on subsequent clauses. I suggest we stand 14 for the time being and jump ahead so that we can deal with the amendments with respect to each of the clauses as we come to them.

Mr. Chrétien: I think that is an excellent suggestion. We have a another series of consequential amendments related to this problem. One is related to subclause 52, and others on subclause 74 which I will table. Then we can clear up these amendments in one shot.

The Chairman: I have no objection to this as long as we follow the same procedures as yesterday where, by unanimous consent, we suspended consideration of the clause before the committee. By unanimous consent we could go from one clause to another—move the amendment to the clause, adopt it and then, again by consent, go on to another clause and final clauses, and then return to clause 14. Is this agreed?

Some hon. Members: Agreed.

The Chairman: Does the committee give consent to stand clause 14?

Some hon. Members: Agreed.

On clause 52.

The Chairman: The committee will then proceed to the consideration of clause 52 on which there is an amendment moved by the Minister of Finance, which reads as follows:

That subclause 52(4) of Bill C-11 be amended by striking out lines 18 to 20 on page 100 thereof and substituting the following:

“(b) the amount, if any, by which

(i) the amount included by virtue of subsection 148(1) in computing the income of the taxpayer for the year in respect of the disposition of an interest in a life insurance policy

exceeds

[Mr. Chrétien.]

(ii) the portion thereof arising from a disposition described in subparagraph 148(9)(c)(ii) in respect of that policy.”

The Chairman: Shall the amendment to subclause 52(4) carry?

Mr. Stevens: Mr. Chairman, before we deal with the amendment, I thought that perhaps the minister could give us a brief description of how he understands it integrates with the previous two amendments.

Mr. Chrétien: Mr. Chairman, this amendment is consequential upon the amendment to subclause 14(1) dealing with life insurance policy loans. The excess of a loan over the cost base of the policy is included in the policyholder's income at the time the loan is received. This amendment deals with loan repayment. Under the existing bill repayment of the loan is added to the cost base of the policy. The amendment to subclause 14 permits a deduction on the repayment of the loans which have previously been included in income. Because the policy loans may be deducted when repaid, it is no longer appropriate to allow the loans to qualify for the \$1,000 investment income deduction provided in subsection 110.1 of the Income Tax Act. This amendment denies the \$1,000 deduction for income raising on policy loans and is required to prevent abuse.

The Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Amendment (Mr. Chrétien) carried.

Clause 52 stood.

The Chairman: By unanimous consent the committee will now move to the consideration of subclause 74(4) on which there is an amendment by Mr. Chrétien.

On clause 74.

Mr. Chrétien moved:

That subclause 74(4) of Bill C-11 be amended as follows:

(a) by striking out line 44 on page 161 thereof and substituting the following:

“year, subsection (1), section 16 or para-”

(b) by striking out line 3 on page 162 thereof and substituting the following:

“of interest thereon or any repayment of a loan that was deductible pursuant to paragraph 20(1)(hh), and”

(c) by striking out lines 9 to 12 on page 162 thereof and substituting the following:

“as it would have read on that date if subsection (8) had not been applicable) of his interest in the policy on that date”

Mr. Stevens: I was wondering if we could have an explanation of each of these amendments as they come up.

Mr. Chrétien: Several technical changes are proposed to clause 74. Section 148 deals with insurance policies. The first change is in subclause 74(4). The amendments to subparagraph 149(a)(iii) adds a reference to Section 16. This section requires an amount to be included in the taxpayers' income where in the past he cashed in a part of a life annuity. To avoid double taxation the amount to be added to income