

I have made a major criticism about the capital gains tax and the way it is applied. There is a simple remedy to solve this. It would not cost the government all that much money. The Minister of Finance and the government should simply remove capital gains tax on family farms or small family businesses or a once in a lifetime sale. That is not unreasonable.

In addressing myself to this subject a year ago, I found that the amount of money the government realizes from capital gains tax on farmland is rather minimal compared to the administrative cost of calculating capital gains tax. I have made this proposal to successive ministers of finance, but it has always fallen on deaf ears. I hope the present minister will consider it. It has been suggested that a young man from Shawinigan Falls is out to make his mark in finance and economic affairs. Here is a novel proposal he might accept. He can then forget about the advice of the mandarins in his department. One simple step could solve all the hardships I have mentioned.

Another partial solution to this problem has been put forward by previous speakers on this side of the House. The hon. member for Medicine Hat (Mr. Hargrave) made an eloquent plea that closely held family farm corporations should have the same benefits in the roll-over privileges as are now enjoyed by the single farm owner. That makes a lot of sense. I will not expand on it because previous speakers from this side made a very formidable argument as to why this is entirely in keeping with fair taxation practices.

I now wish to turn to an entirely different topic, income tax on life insurance. I congratulate the government for giving up its intention to tax a portion of the death benefits. I am sure members from all sides of the House have written to and talked with the minister. He has at last seen the light. Because of that, I have great hope that he will pay some attention to what I said previously.

I am sure members of all parties have received letters from owners of insurance policies, and in particular from agents who sell insurance. I think I can take some credit for this. Modesty prevents me from taking full credit. However, there are two injustices that still remain.

A tax paying policy holder who takes out a loan on his insurance policy is taxed on that loan as though it were a portion of his income. That is nonsensical. If you make a loan from a bank, a trust company or a private individual, that is not counted as income. It has to be repaid. The same is true of an insurance loan. Most people who take out loans against their insurance policies repay them. If by chance they fail to pay them back, the amount is deducted from the proceeds when the policy matures.

There is no justification for that type of tax policy. If that is to be counted as income, it is reasonable to count as an expenditure the interest the borrower must pay on the loan. However, the government will not go along with that. It is beyond comprehension. After receiving representations from all sides of the House, I am sure the minister will listen to

reason. The minister has gone part way. He must now be completely fair and just.

To point out some of the arguments in favour of that, I want to quote from a letter I received from the insurance industry. They wrote, and I quote:

Unfortunately, two serious problems remain. I refer to the budget proposals (a) to tax the policyowner at the time of taking out a policy loan, and (b) to disallow the deduction of policy loan interest as an expense in any circumstances.

They then list some of the reasons why this is patently unfair, and I quote:

A policy loan should be regarded as such because the loan is repayable out of the insurance proceeds if the policyowner does not repay the loan at an earlier date; the policy loan provisions are a long established and valuable feature of life insurance as a form of property and it is discriminatory to deny the normal tax treatment for such loans;

policy loans are normally taken in times of financial need or emergency which is a highly inappropriate time to levy an additional tax; . . . particularly hard hit would be small businesses which the government is committed to helping; life insurance policies are often the best or only source of ready cash for small business operators since the money can be obtained quickly at modest rates with no questions asked and no further collateral demanded;

the use rather than the source of funds governs the deductibility of loan interest for income tax purposes; this proposed disallowance of policy loan interest is blatant discrimination against one source of money, namely, life insurance.

That is so reasonable and obvious I cannot understand why the minister will not take a sensible look at the problem.

Mr. Alexander: It is because he is bullheaded.

Mr. Knowles (Norfolk-Haldimand): I now want to deal with the federal sales tax that is levied against equipment used by public utilities in the various municipalities across this country. I am referring to equipment used to keep the utility operational, to make installations and so on. I will not expand on the argument any more other than to read what was written to me by a municipal council in my area. The Dunnville Public Utilities Commission in the town of Dunnville passed a resolution. I believe a copy of this is in the hands of members on all sides of this House. This resolution sets it out better than I could do.

● (2032)

Whereas exemption from federal sales tax and excise tax is provided for municipal water main material; whereas water and electric utilities supply essential services to the same clientele; whereas tax on equipment and materials used for electrical distribution contributes to the increasing cost of servicing housing subdivisions; whereas the benefit of tax reductions would ultimately benefit the end customers, be it resolved that an appeal be made to the Minister of Finance to consider legislation to exempt municipal electric utilities the federal excise tax on electrical distribution material and equipment.

You see, Mr. Speaker, what is good for one section of the public utilities industry is surely good for another, and there is no earthly reason why the government should not see its way clear to do this very thing it is being asked to do. After all, the tax which is presently imposed increases the cost of electrical services to those who purchase them.

I want to turn, now, to another subject and join in representations which have been made by a number of other speakers in this debate in connection with the inordinate amount of paperwork which has to be attended to by taxpayers, more