

*Income Tax Act*

with respect to group policies? This is a possibility with a controlled company; is that right?

**Mr. Fleming (Eglinton):** No, Mr. Chairman, I am speaking about group policies. These are commonly known, I believe, as jumbo policies, and they exist in many cases where there is no general provision assuring equality of treatment or even proportionate treatment on the part of employees of the company concerned. Therefore it seemed to us that there should be some limitation placed upon the exemption now enjoyed. That is why we brought forward the proposal that premiums paid on these policies should be exempt in the case of any person up to \$25,000 of life insurance, but as to the excess of the insurance over \$25,000, whatever premium is paid on behalf of the individual should be regarded as income received by him and he should be taxable upon it. Otherwise, it would be relatively simple for a senior executive to take a substantial portion of his remuneration not in the form of salary but in the form of an extraordinarily large insurance policy upon which premiums would be paid on his behalf. That is the background out of which this proposal has come to the committee.

This clause deals—and deals in a straight forward way, I think—with the person who has been enjoying the benefit of a policy of more than \$25,000, or who will in future be enjoying the benefit of such a policy under one of the group insurance plans. How are you going to tax such a person in respect of the premium on the excess over \$25,000? That is the situation with which this clause deals. One could go about it in two ways, broadly speaking. One could say: we will regard as income in the hands of such a man the premium which he would pay at his age on that particular policy according to its amount and its provisions. But that might not be fair, because the man might be advanced in age; he might, indeed, have reached a point where insurance premiums are very heavy. He might even have passed the point where he can obtain insurance on an individual policy. What we have done, therefore, is, in effect, to work out an average so that what such a man will have to pay is the average premium on the whole group under the group plan. That is the essence, briefly, of this clause. It is well understood, I can assure the hon. gentleman, by the insurance companies. They understand what this means, and the way in which the plan works out.

**Mr. Crestohl:** May I ask whether an estimate has been made as to the additional revenue which is expected to flow to the government from this source?

[Mr. Benidickson.]

**Mr. Fleming (Eglinton):** No, Mr. Chairman. It was not possible to work out any such calculation at all precisely. This proposal is put forward in the interests of the fair and equal treatment of taxpayers and to put an end to a situation in which some taxpayers were enjoying what was regarded as an unfair advantage under an existing exemption.

Clause agreed to.

Clauses 3 to 7 inclusive agreed to.

On clause 8.

**Mr. McMillan:** I realize the difficulty experienced in such legislation as this, but it seems to me that there is discrimination not only between people in different provinces but also between people in the same province. For instance, in Ontario it is optional whether people contribute to hospital insurance or not. I think the person who takes the insurance is penalized because his hospital bill is not deductible for income tax purposes. But if a person takes out an insurance policy which pays for hospitalization, those payments are deductible. Then, in connection with the provinces, if a person resides in a participating province there will be practically no hospital bills eligible for deduction, whereas in a province which does not participate every bill will be eligible for deduction. Thus I think there is a good deal of discrimination in this particular clause between, as I said before, individuals in a province such as Ontario and persons in non-participating provinces.

**Mr. Benidickson:** I think with regard to this particular proposed change the minister has made a very grave mistake. Reference has been made to the increased amount of revenue, but in the minds of the people—their imaginations in this respect stimulated very largely by some of the good speeches made by the hon. gentleman on this subject when he was sitting in the opposition to the effect that this was a proper tax deduction—the government's present intentions are causing great consternation. I just want to read a short excerpt from a letter I received on this point which, I think, will impress the minister. The letter comes from the international association of machinists and it says:

We protest the noncontinuance of hospitalization payments as paid by the provincial hospitalization plan as an income tax deduction.

I raised this matter on two or three other occasions in the debate which was open to all of us. Someone said—I think it was tonight—that the tax saving would amount to \$9 million. That may be so, but I think the principle which existed in the past is