

but it will go a long way to ensure the multinationals do not have an unfair advantage over Canadian insurance companies.

Mr. Stevens: I would like the minister to confirm or otherwise that some companies still feel there is a substantial loophole that foreign life insurance companies will be able to take advantage of, notwithstanding the amendment to which he is now referring.

Mr. Chrétien: I do not think that will be the case. We are quite satisfied that this will plug the loophole and everyone will be on the same footing. We will, of course, be monitoring the activities of the insurance companies in that field. If that is not sufficient, obviously we will have to implement further amendments. My advisers, the experts in the department, are quite sure this will cure the problem.

Mr. Stevens: The minister was going to give me an explanation with regard to subclause (6)(2). I believe he is ready to give that now. I trust it is not as long as his last explanation.

Mr. Chrétien: It is shorter, Mr. Chairman. With regard to subclause 6(1), the distinction between taxation year and fiscal period is crucial throughout the act. The taxation year refers to the taxpayer which, for an individual, is the calendar year. Fiscal period refers to the accounting period of business. That difference has long been in the Income Tax Act. The change in subclause 6(1) simply changes a reference.

In order to meet the requirement of the hon. member for Moncton, this is a very simple proposition. The fiscal year of any individual such as a member of parliament is the calendar year when reporting his profits or losses. When the hon. member for York-Simcoe was in the banking system, when he was reporting his profits or losses that was for what we call the taxation year.

Mr. Stevens: The fiscal period.

Mr. Chrétien: Yes, the fiscal period.

Mr. Ritchie: Mr. Chairman, I wish to speak on the problems regarding insurance companies. I would like to voice some of the criticisms that were made when the budget was brought down, dealing with the taxation of insurance companies. It was suggested by Mr. Patterson, president of Actuarial Consultants of Canada Limited, that the industry is mainly fighting brush fires in its attacks against the policy gains tax at death and on proposals to tax the policy gains part of policy loans and to disallow interest on policy loans as a deductible expense.

Mr. Chrétien: Mr. Chairman, the problem being raised at this time by the hon. member for Dauphin is with regard to clause 14. If we can go to that clause, I have some amendments that cope with the problem raised earlier in the evening by the hon. member for Gatineau. He referred to the same points now being raised by the hon. member for Dauphin. If we can move to clause 14, I will deal with the problem.

Income Tax

Mr. Whittaker: Mr. Chairman, I have some questions with regard to subclause (5), on insulation conservation, which is really energy conservation. The minister and his department are very conscious of energy conservation. They are doing all they can to remove the tax on energy conservation equipment and materials.

For over two years I prodded the former minister of finance to take the tax off wood stoves, which he finally did. It has now become a matter of an interpretation of what is a wood stove under the act. I just got a ruling for a Canadian company in my constituency which is fully owned by Canadians and which manufactures wood stoves. The Minister of National Revenue said that under the act these are not wood stoves, but fireplace heaters.

A company in the United States markets a similar product in Canada. The interpretation of what they are marketing is that it is a wood stove. That company manufactures a chalet model heater that can be used in any home, cottage or building. It is adaptable to a chimney in almost any type of dwelling. This unit can be used also as a cooking stove. It will fit into a fireplace and can be used in fireplaces for efficiency. Instead of there being a 93 per cent heat loss as with an open fireplace, this unit reduces the heat loss to 65 per cent. The Minister of National Revenue has made a ruling on this unit indicating that it is really a fireplace. Instead of applying the 12 per cent tax, he has indicated that it should go down to 5 per cent. I maintain this is gross discrimination against a Canadian manufacturer. It is a small business which is doing a service in energy conservation for our country by efficiently using wood.

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Last week in *Time* magazine in the "Living" section there was an article entitled "Back to the Wood Flame". It indicated that Americans are experiencing new romance in the old flame. Also it referred to similar types of units which are being used extensively in the United States and which can be used in Canada. These heaters are highly efficient. They conserve energy such as oil, gas, and electricity. There is no tax on oil, gas or electric stoves. I brought up this topic before because there was a 12 per cent tax on wood stoves and nothing on oil, gas or electric stoves. We want to conserve this type of energy.

There has been a ruling by the Department of Finance to the effect that the tax should be taken off wood stoves, yet we have the Department of National Revenue making a ruling which indicates in fact that these heaters are not wood stoves but are fireplaces. Who has the final ruling on this type of situation? Does the minister not have an obligation to make sure that what is indicated in the act is carried out?

Mr. Chrétien: Mr. Chairman, I should like to reply to the hon. member's question. I have listened to history of the problem. The Department of National Revenue has the authority to rule under the Excise Tax Act. Of course its ruling does not remedy the situation. It is necessary to have an amendment to the act. If that is not satisfactory to the hon. member, the only thing I can do, when I come back to the