

*Income Tax*

year they get a statement regarding the increased value of their holding inside that plan. That seems to be analogous to the increase that might be found in a whole-life policy. Is it the intention of the Government to tax the accrual inside a pension plan?

**Mr. Cosgrove:** Mr. Chairman, I am told that the case which the Hon. Member raised is really designed and recognized as a tax-exempt shelter.

**Mr. Hawkes:** Mr. Chairman, we have in one case a plan that has collective elements to it. In other words, there may be 10,000 teachers who belong to it. It is a registered retirement plan of some kind for 10,000 people. Why do we allow 10,000 people to shelter that income from tax but we deny that opportunity to a single individual who wants to do it through some kind of life insurance policy or annuity plan?

● (1150)

**Mr. Fisher:** Mr. Chairman, the single individual has that opportunity by getting an RRSP. It may be helpful to point out to the Hon. Member that he is mixing apples and oranges a little bit here. We have made specific policy decisions about things like pension plans which make them distinct and different funds for tax purposes. Tax is allowed to be deferred on such funds, as the Minister just pointed out, for specific policy reasons. We believe tax deferral is a useful way to help people prepare for their retirement. The line of questioning the Hon. Member is following is interesting, but he is mixing apples and oranges in his questions.

**Mr. Hawkes:** Can the Hon. Member give me the characteristics of the kinds of plans on which the Government will allow deferral of income for retirement purposes? Must it be done the way the Government tells us to do it rather than the way we might choose to do it? Is that one of the characteristics, that we will follow Government orders rather than our own common sense?

**Mr. Fisher:** Mr. Chairman, the characteristics of these plans are that they are debated in Parliament and included in the law. They are a public decision, not the result of an accident or a hidden decision. They are the result of openly debated social and tax policy. That is what makes them exceptions to the rule.

**Mr. Hawkes:** But is the Government considering, for instance in a self-administered RRSP, that I could put any kind of assets in that plan that I want to and therefore keep them sheltered, or do I just have to put in those things that the Government tells me to?

**Mr. Cosgrove:** Mr. Chairman, in line with the last answer, these would be stipulated in the legislation and debated by Parliament as a matter of law.

**Mr. Hawkes:** Can I ask the Minister or the Parliament Secretary, if I get into one of these tax sheltered opportunity

systems which the Government will provide me with, a 20-year whole life policy for example, and then I want to convert somewhere in that middle period, how do I go about converting it to a different kind of asset without incurring tax? I do not want to take it into income but keep it sheltered, so what regulations will I have to follow?

**Mr. Fisher:** Mr. Chairman, it is quite clear that if you want to convert a 20-year policy into something defined as exempt under the law, then you will continue to be exempt. The taxpayer is simply required to research those instruments that continue the exemption. If, on the other hand, the taxpayer chooses, contrary to the example given, to go into a non-exempt instrument, then the investment will become taxable.

**Mr. Hawkes:** Will I be able to change my whole life policy, say, at the midway point from one company to another and avoid tax?

**Mr. Fisher:** I understand, Mr. Chairman, that the taxpayer in that case would become liable to tax. It would be deemed a surrender. This is something that was decided upon in 1969.

**Mr. Hawkes:** So if I stayed with the same company and changed policies I could avoid tax, but if I feel there is a different company which better meets my needs, I am going to have to pay tax?

**Mr. Cosgrove:** Yes, Mr. Chairman.

**Mr. Hawkes:** Why?

**Mr. Cosgrove:** Because of the provisions of the law of 1969.

**Mr. Hawkes:** Has the Government given any consideration to changing the law in 1983?

**Mr. Cosgrove:** No, Mr. Chairman.

**Mr. Hawkes:** Can the Government tell us why it has not considered changing the law?

**Mr. Cosgrove:** The amount of money recovered on surrender, Mr. Chairman, is income.

**Mr. Hawkes:** The amount of money recovered on surrender is income; is that what the Minister said?

**Mr. Cosgrove:** Yes, Mr. Chairman.

**Mr. Hawkes:** What is the definition of surrender? If I in fact change my policy within the same company, I do not surrender it; but if I change to a different company, I surrender it. Can the Minister tell me why there is logic in the word "surrender" in one case but it is absent in the other?

**Mr. Cosgrove:** No, Mr. Chairman. It was not my definition.

**Mr. Hawkes:** Is the Minister telling us that he in fact agrees with the current definition as it exists in law? It is one that he personally supports?

**Mr. Cosgrove:** Yes, Mr. Chairman.