

Income Tax

a cash value and many businessmen are wise enough to carry life insurance. They are able to assign their policies to the bank and borrow money, using their policies as collateral. This is mostly in their earlier years. Now, if they take an insurance policy to a bank and put it up as security, they can borrow money, depending on their credit, at anywhere from 10 to 12 per cent. They then deduct the interest of 12 per cent as a perfectly legitimate business expense.

● (2222)

The government agrees with this wholeheartedly. With a \$20,000 loan at 12 per cent interest, the interest amounts to \$2,400. Yet if a person has an insurance policy with a large cash value so he can borrow on the proceeds direct from the insurance company, I can assure my hon. friend from Grenville-Carleton that the interest could be half as much. With many policies which were written a few years ago the borrowing rate is 5 per cent or perhaps 6 per cent. I do not think there are any over 7 per cent. Yet ironically, according to this legislation, Bill C-11, if the rate is 12 per cent or whatever, interest payments on money borrowed for business purposes can be deducted provided the money is borrowed from a bank. Anyone who borrows money on a policy at 6 or 7 per cent is denied that privilege. How logical is that, Mr. Speaker? Money borrowed at 6 or 7 per cent means smaller expense, and the Minister of National Revenue (Mr. Guay) receives additional income tax. I feel consideration should be given to this point.

If a person has an insurance policy with a cash value of \$10,000, and the premiums paid in amount to only \$9,000, if the policy is cashed in the holder pays tax on the \$1,000 since this is deemed to be income for the year. I suggest that is unfair. I see no reason why the situation should not remain as it was.

Mr. Baker (Grenville-Carleton): That is grossly unfair.

Mr. Darling: That is right. I hope the Minister of Finance (Mr. Chrétien) will see fit to withdraw that provision. Again congratulations to the government for doing what it did, though it certainly did not do it out of the goodness of its heart. I am sure it did it because of tremendous pressure, not only from all across the country but also from some of my very fine friends on the government side who influenced these wiseacres in the cabinet. I hope they will continue to exert the same pressure and see that the remaining clauses are removed as well.

Another matter I want to refer to was mentioned earlier by one of my colleagues. I refer to the generous \$350 grant to homeowners to update the insulation of their homes. The kicker in this \$350 is that it must be included in taxable

income. This will not mean too much to a great many senior citizens and those on fixed incomes because they will not pay income tax on that amount, but I believe that insulating a home could cost as much as \$800, \$900 or \$1,000, and \$350 does not go a great way toward meeting that kind of cost. Although it is a help, it is not much help if a person has to pay income tax on the \$350. At the present time we are aware that the only homes which will benefit are those homes built prior to 1921. I assume on a sliding scale, as the years go on, it will be upgraded, that is, slightly newer homes will be allowed to participate in this. As I have mentioned before, the grants are higher than this in two specific provinces, namely, Nova Scotia and Prince Edward Island, where the grants are \$500 and are non-taxable. Why should there be discrimination against the other eight provinces and the territories? It hardly seems fair, because the amount is little enough at \$350.

● (2227)

We are in an energy crisis, and those who live in the northern part of our country know that it costs quite a bit to heat homes. As I have said, \$350 is not a big amount. I hope the Minister of Finance will see fit to say that the \$350 should not be taxable and classed as income. Surely that is not asking too much.

All of us are trying to conserve energy in every way possible. What better way is there than to insulate our homes to the nth degree? I hope the minister will consider that, on the basis that Prince Edward Island and Nova Scotia receive \$500 tax-free. I am well aware of the fact that they are entitled to it, but when one considers some of our northern areas, in the west, in the Yukon and so on, one realizes that it requires a lot of oil, gas or whatever, to heat a house during the winter. And one must not forget that the winters are longer up north. I hope the minister will give serious consideration to the request for that \$350 to be tax-free and not added to income. I am aware of the fact that certain families can well afford to pay it; but even those in the \$15,000 to \$20,000 bracket are paying substantial taxes. A great many of them have young families. Perhaps both the husband and wife have to work in order to make that income.

Housing is an important thing in the country's economy. I know the minister in his budget is doing his best to see that the economy will be upgraded and unemployment will be reduced. One way to do that is to make it more attractive for people to buy older homes, which they can improve and insulate.

May I call it 10.30, Mr. Speaker?

Mr. Deputy Speaker: Order, please. It being 10.30 p.m. this House stands adjourned until tomorrow at 2 p.m.

At 10.30 p.m. the House adjourned, without question put, pursuant to special order.