policy—"disposition" as defined in the act—the total increment to date, as far as I know, will be taxed as income in that one year. I hope this is something that will come out in the questioning, because it would certainly seem most unfair that an investment increment built up over a great many years should suddenly be regarded as income in a single year.

There are other matters that might be dealt with in committee. Certainly, I hope the officials will give us an explanation of the accounting of this money. Perhaps also we will get clarification of some of the aspects of disposition of insurance policies mentioned in clause 20.

There is the matter of the assignment of a policy. The act now says that where a policy is assigned, say, to a bank, as security for a loan, it is not regarded at that moment as taxable as to the investment increment; or if it lapses it is not regarded as having created income as long as it is renewed within, I think it is, 60 days.

Those are matters that certainly the public do not at the moment understand, and a useful function of our committee might be to clarify them.

Also there was the matter raised today in connection with participating and non-participating policies, and so on. I close with this because several senators asked questions about it, and I do not think it was fully clarified because of the lack of time at Senator Hayden's disposal. However, the minister made a statement elsewhere which clarified it. He said:

> ...we have worded it so as to protect and exclude from investment income tax the income in the company's hands coming from non-participating policies, since these policies were written on the basis that there will be no participation by the individual. They are written with fixed interest rates in mind. Such policies, therefore, are to be excluded from investment tax, or from considerations with resepct to investment income. With respect to participating policies, the participant usually pays a premium and participates in investment income.

Honourable senators will perhaps recall a recommendation of the Carter Commission to the effect that such investment income should be taxed in the hands of the individual policyholder. The Government has, I think wisely under the circumstances, rejected that suggestion, as I hope they will reject a good many other suggestions in the Carter Report in due course. The minister says that this was looked at very carefully and that the decision was made that it would be administratively too cumbersome to collect the tax from individuals on that principle. He said:

> As an alternative we decided to levy a tax on the investment income of the corporation but to exclude certain portions of that investment income in the process.

And Senator Hayden gave us a full explanation of the exclusions from that type of taxation.

Honourable senators, there are one or two other matters I thought I would call to your attention, but perhaps the opportunity will present itself when some aspects of the last budget are before us—I suppose within the next few days—and I will reserve further comments until then.

The Hon. the Speaker: It is moved by the honourable Senator Hayden, seconded by the honourable Senator Denis, that this bill be now read the second time. Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Carried.

Hon. Mr. Flynn: On division.

Motion agreed to and bill read second time, on division.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Martin, bill referred to the Standing Senate Committee on Banking, Trade and Commerce.

The Senate adjourned until tomorrow at 3 p.m.