

Income Tax Act

steps have been taken to provide assistance to our pensioners. I think all of us have supported that move, in the main.

For pensioners who have had more difficulty facing the financial demands placed upon them, over the years we have provided two plans which are income-tested and are of special help to them. The first plan is known as the Guaranteed Income Supplement, a supplement to the Old Age Security system. It is income-tested, as I said, and is a means of helping to support those pensioners who are in greater need. More recently we introduced as a second measure of help the spousal allowance program. It is designed to help widows and widowers between the ages of 60 and 64 years who are having difficulty because of low incomes. There has been a commitment on the part of Parliament over the years to support such people.

Now I should like to turn to the history of the motion before the House, its source and the reason for it. Early in 1983, an amendment was passed to the Income Tax Act under the previous Government which required that workers' compensation benefits had to be counted in or regarded as income but were not subject to tax. The fact that they were not subject to tax was of no concern to most pensioners receiving GIS payments. However, approximately 25,000 people who were receiving workers' compensation benefits and were over the age of 65 years were also receiving GIS payments, and the amendment had the effect of reducing significantly the GIS payments; sometimes they were reduced to zero if the benefits they were receiving under the workers' compensation plan were sufficient. A problem arose which came to light in the House, if I remember correctly, sometime in late December, 1983. I recall Mr. Burghardt from London, who was a Member of Parliament at that time, and myself raising this problem in questions in the House before and after Christmas. It was a new problem. Even the officials in the Department of National Health and Welfare in Toronto and London were unaware of it. Not only did we find that we could not receive an answer from the Government of the day, but it had not given the problem any consideration because it was not aware that it was a significant one. A number of Members in the House, including the Hon. Member for Cape Breton-East Richmond and the Hon. Member for Beaches (Mr. Young), raised questions from time to time with the appropriate Ministers of the Government, only to obtain no significant answers of a positive nature in respect of making appropriate changes. Currently the following motion is before the House:

That, in the opinion of this House, the Government should consider the advisability of amending the Income Tax Act, in order to eliminate the hardships brought about by previous amendments, which may now make Workman's Compensation reportable as "income" for Guaranteed Income Supplement purposes.

As an aside, I notice that the Hon. Member for Hamilton East (Ms. Copps) is not present in the Chamber. According to the Order Paper, she has seconded the motion. I am a little surprised that she seconded a motion using the words "Workman's Compensation" instead of the currently acceptable term "workers' compensation". However, that does not affect the essence of the argument. For her to have missed that point—

and I see the Hon. Member for Cape Breton-East Richmond smiling—makes us laugh somewhat. The wording of this motion is such that we really do not need to have a debate at all, because it is already being done. Perhaps that is why the Hon. Member did not rise in his place a few moments ago. The Government is giving serious consideration to the advisability of amending the Income Tax Act. Unfortunately, from my point of view, the officials, along with the Minister, have not yet been able to come to an agreement and understanding as to what would be an appropriate change to make. In a sense the intent of the motion has been fulfilled.

Be that as it may, it might be worth while to review some of the history behind the Guaranteed Income Supplement and how workers' compensation benefits are intertwined with it. In 1966, the Government of the day introduced the Canada Pension Plan to compensate senior citizens and assist them with income during their retirement years. At that time it was felt that the plan would probably be at its maximum benefit in about 10 years and that it would provide about 25 per cent of the income of retired persons. When combined with OAS payments, employee-employer sponsored plans and private savings, it was hoped that that amount would be sufficient to allow pensioners to retire on adequate incomes. It soon became evident that that was not the case. As a result, in 1967, the Government found that it was necessary to bring in amendments to the Old Age Security Act which provided for the Guaranteed Income Supplement. It was a mechanism by which to help many pensioners who were badly in need of income support. In actual fact, to indicate the number of people who required help, it has since become evident that roughly 50 per cent of our pensioners because of low incomes, rely on some benefits from the Guaranteed Income Supplement. A significant number of Canadians depend upon it. As I mentioned earlier, we have now added the spousal allowance for people between the ages of 60 and 64 years who are widowed and are similarly in need of further income.

In order to protect the rights of persons to work on their own and to have some income of their own and not lose it all, a criteria of the Guaranteed Income Supplement allowed for them to earn income apart from their Old Age Security benefits which would be deducted from the GIS at the rate of \$1 for every \$2 earned. In other words, if a person earned \$200 over and above his Old Age Security, \$100 would be deducted from his payment that year under the GIS. This mechanism was put in place to encourage people to save in their earlier years and feel that they were somewhat better off than persons who depended entirely upon the Government for support in retirement. The mechanism which was used to determine whether a person was entitled to GIS benefits was the definition of "net income" under the Income Tax Act. We should look briefly at the provisions of that Act as they relate to net income and recognize that various factors are taken into consideration when one arrives at one's net income on the income tax form which is returned each year. For instance, certain deductions are allowed from one's net income which, when taken into consideration for someone receiving GIS, are