

Income Tax

I said that I wanted to discuss retirement benefits for a few minutes. One would think that retirement benefits were sort of nasty, dirty words because our senior citizens, who have worked hard to build this country, will be taxed. The Government will get even with them, with all those people who have profited by investing in this country. The Government will tax their retirement benefits, and I will tell Hon. Members how it will do it. For those approaching retirement, the over-all effect of the changes which have been introduced in Bill C-139 will be to reduce the ability of people to save during their working years for their retirement years. First, the Government will disallow interest deductions for investing in Registered Retirement Savings Plans. The Government will not allow people to do that anymore. If one does not have the cash to put up, one will pay a penalty. One will not be able to go to the bank and borrow money in order to finance a Registered Retirement Savings Plan.

I cannot understand what is equitable about that. Why is it that if someone happens to have the cash to put into an RRSP, he should be treated differently from someone who does not, particularly now when many people do not have ready cash? Why would the Government penalize those who do not have the ready cash now? It is really a small, niggardly thing, it is not? If someone goes to the bank and borrows \$3,500 and pays 12 per cent to 15 per cent interest on that amount, the Government will say to him, "No, you cannot deduct the \$500 interest bill for investing in your own retirement income". Yet, who will pay to support people? We constantly hear about inadequacy. I hear the Minister of National Health and Welfare (Miss Bégin) stand up in the House day after day and say, "Pensions to our elderly people are inadequate". Yet here the Government is introducing a tax provision which will deny people the opportunity to invest in their futures.

There has been much said on life insurance, but, here again, life insurance is a traditional way by which Canadians put away money for their retirement years. Now, all of a sudden, the Government will tax the income associated with life insurance policies. Even though one does not receive the cash, as in a whole life policy, it just contributes to the amount of the paid up value of the life insurance, but the Government will tax one on that amount. One will not get any cash, but the Government will force one to pay tax. I do not understand.

Why is it that all of a sudden, the Government had to turn the tax system upside down and change it, when people made commitments, and bought life insurance as a traditional way of looking after themselves for the future? All of a sudden, the Government has turned the income tax system upside down in order to tax these people.

I would like to discuss employee share purchase loans. If there is one thing in which I believe and in which a great many other Canadians believe, it is the value of an employee owning shares in a company for which he works. If there is anything to which an employee can point as being something which makes him a more productive and willing worker, it is the knowledge that he owns some of the equity in that company and he feels a part of that company. We have had a system whereby employees are encouraged to go out and purchase shares in their companies. It makes them more productive and they feel

more a part of their organization, but the Government will not allow them to deduct the interest any longer. It is niggardly. The Government seems to be taking the attitude that these employees are getting away with something. This was the law and no one was doing anything wrong, but now, all of a sudden, it is like being a criminal to take advantage of this right. An employee went out and bought shares in his company, but now the Government is plugging that loophole. It is saying, "We must stop that criminal action".

The November 1981 budget proposed limitations on the termination benefits and retiring allowances, which will significantly increase the taxation of such payments. Limitations on retiring allowances, on termination benefits and on the \$1,000 pension income deduction will make it harder for many Canadians to prepare for their retirement years.

Bill C-139 will deny registration for future deferred profit-sharing plans which would have allowed an owner to qualify as beneficiary for the plan. This will discourage all owner-managed firms from having such profit-sharing plans, leaving both the owners and employees without job-related retirement income.

Concerning the provision relating to income averaging annuities, this is a real villain, according to the Government, and has been badly abused. I know an elderly couple in Ottawa who have worked in a small grocery store all their lives. They had a piece of real estate put aside that they had invested in many years ago, and they sold it last year. They were going to use the proceeds from that for their retirement income and had decided on putting it into an income averaging annuity. We are going to get those two old people, because they are abusing the system!

• (2150)

I heard my colleague talk about forward averaging. I heard the Minister and other officials say that forward averaging is just about the same as an income averaging annuity. If any of you have ever taken the time to work it out, you will know it is not. It is a penalty system, and it is designed to abuse the taxpayer. Why should the taxpayer have to pay a maximum rate of 50 per cent, and then adjust his future income? Why should the onus be on the taxpayer to put money up, on the basis that it may be refundable? There is no equity in that.

Restricted claims for support of non-resident dependants—let me give you an example of why that is bad. Suppose a parent chooses to move to the United States, and he does not have enough income to live on. His son decides to help him, but he is not allowed to deduct that. He could deduct it if his parent was living in Canada. I do not understand, why should a deduction be allowed if the parent lives in Canada but not if the parent lives in the United States? Is there any equity in that? No, sir.

There is one good thing in the Bill and that is the spousal transfers of RRSP funds in the event of a marital breakdown; that was a good move on the part of the Government.