

monthly pension payments. We do not accept this reasoning nor do most social agencies."(23:22)

Clearly, whether the Government has breached the principle of universality depends on how the concept is defined. The Government contends, a universal program is one in which the gross amount paid (prior to taxes) is not affected by the income or wealth of the recipient. Under this definition, the clawback does not violate the universality principle because the test is applied after the receipt of benefits. However, most witnesses disagreed with such a narrow definition of universality arguing that the concept should not include the targeting of benefits by a special tax, even if this is applied on a post-receipt basis. They contended that OAS and FA payments should be taxed at the same rate as other sources of income; that income from these benefits should not be discriminated against.

Indexation

Bill C-28 provides for indexation of the \$50,000 clawback threshold at the same rate as other income tax measures, which amounts to the rate of inflation that is in excess of 3%. Barring periodic adjustments by the government, the real value of the threshold would decline substantially over time. For example, an inflation rate of 4.5% per year would result in the nominal value of the threshold increasing to slightly more than \$58,000 after ten years. However, the purchasing power at the threshold would have declined to less than \$37,000 over this period. If nominal incomes rose at a faster rate than the threshold, the number of taxpayers affected by the clawback would increase over time. Even pensions that just keep pace with inflation would increase in relation to the clawback threshold so that individuals with indexed pensions would increasingly be subject to the clawback.

This aspect of the clawback was mentioned by virtually every witness that appeared before the Committee on Bill C-28. Many of the briefs included projections of the number of taxpayers likely to be affected by the clawback. As Mr. Herbert Hanmer of the National Pensioners and Senior Citizens Federation stated, "Thus, each year, if inflation continues, thousands of additional seniors will be affected. In twenty years' time the threshold expressed in 1989 dollars will be down to \$28,000 and will affect two million Canadians."(23:22)