

Excise Tax Act and Old Age Security Act

Mr. Knowles: As a matter of fact, the minister has made statements like that two or three times during the course of this debate. I suggest that if he agrees with that he should not be so concerned about what he calls his responsibility as Minister of Finance to put taxes into a fund which he now admits is just a political device after all. So, Mr. Speaker, because the money is not going to be used for the fund which in the public mind is the fund that is used to pay pensions, we suggest it is not necessary.

May I also point out that there is still plenty of money in the old age security fund, if we accord any sanctity at all to these funds, to pay old age security pensions for quite a while into the future. I know the minister asks, "Where is the cash"? But as I say, at one moment he says, "I have to find the cash," and at another moment he says, I have to keep the fund reasonably in balance." Why does he have to keep the fund reasonably in balance? Is it just an accountancy exercise, or does it mean that fund has to be kept reasonably in balance so that payments can be made out of it?

The government publishes its own figures with respect to the fund. In this connection I am looking at page 632 of the *Canada Gazette*, part 1, for Saturday, February 25, 1967, which is fairly recent. In fact I think it is the most recent issue, and on that page we are given figures about old age security fund transactions. We are given them by years for quite a number of years and for the last three years we are given them by months.

I find that in the most recent month for which there are figures, January, 1967, the surplus of collections from taxes for old age security purposes over payments made out was the largest it has ever been in any month in the history of that fund. This, I repeat, was in the month of January following passage of the pension increase in December and before the money from these extra taxes has started to go into the fund. In the month of January the government collected by way of its 3-3-4 taxes—per cent on corporations, 3 per cent on sales tax and 4 per cent on income—\$50.2 million more than it paid out. Yet the minister talks about the problem of finding the cash. He picked up a lot more cash in January than he needed to pay these pensions.

He has also told us that the old age security fund, with the money that is going to be put into it by raising the ceiling on the income tax people pay for old age security, will remain in reasonable balance, to use his own

[Mr. Sharp.]

words, until 1971. He says that will be the case even though there will be extra payments out of it for the guaranteed income supplement and even though the eligible age will be brought down to 65 years.

What is the point of having a fund that seems to be reasonably solvent, since there was \$50 million worth of gravy added to it in January, 1967, if with all that money around and that surplus coming in the minister comes along and says, "We need this extra cash and we are going to get the extra cash by imposing a sales tax, but we are going to put the money into the consolidated revenue fund"? We think it is all wrong, Mr. Speaker, on all counts.

As I have already said, Mr. Speaker, Bill No. C-268, while it has several clauses, has but two main propositions. On the one hand it raises the sales tax about which I have been talking. On the other hand it raises the ceiling on the amount of income on which one pays the 4 per cent social security income tax. We are in agreement with the latter proposition.

If you go right back to 1950 when we discussed this matter in the committee on old age security you will see that we advocated that there be no ceiling on this tax. We advocated that the tax people paid for old age security should be on all income, no matter how high those incomes might be. We opposed the \$60 ceiling, then the \$90 ceiling, and following that the \$120 ceiling. Therefore we do not quarrel with raising the ceiling now from \$120 a year to \$240 a year.

The minister has certainly not demonstrated that he needs it. He certainly does not need it, but he says that with this increase he will be able to keep the fund reasonably in balance until 1971. Therefore, Mr. Speaker, we are not going to criticize this second proposition. We are not going to criticize or seek to vote against the proposal that the ceiling on income taxes for old age security purposes be increased, but we do register our strong objection to the increase in the sales tax. We think it is not needed at all in terms of budgetary arrangements, and despite what the minister says we think the whole proposition is misleading to the country. We think the Carter report's pronouncements on this issue should be taken note of, and therefore we think the house should send the bill back to the committee of the whole and give it the chance to reconsider clause 1. Clause 1 is the clause which raises the sales tax by 1 per cent. We hope the result of the reconsideration that would follow the passing of our