

Family Allowances

brackets will receive a benefit that progressively reduces as income rises.

It may be useful to illustrate the effect of taxing the family allowance. Assuming that the national norm of \$20 per child is paid; a non-taxpayer would receive a net benefit of \$20; the average Canadian taxpayer would receive a net benefit of \$15; the taxpayer in the highest tax bracket would receive a net benefit of \$8.

Even after taxes are paid on family allowances, most Canadian families—and more particularly all the low as well as the middle income families—will be well ahead in comparison with allowances under the previous program. For example, the federal government used to pay a family with four eligible children an average of \$346.08 per year. Based on the new average of \$20 a month per child, the same family earning \$4,000 per year will now receive—after allowing for taxes, I repeat, after allowing for taxes—\$934.08, which represents a net increase of \$588 per year for that family. The same family earning \$6,000 per year will receive a net increase of \$364.07. With earnings of \$8,000, it will receive a net increase over and above what it was receiving before the latest amendments to the Family Allowances Act and the Youth Allowances Act, and after paying taxes, of \$345.29. Furthermore, the same family with earnings of \$10,000 will receive a net increase of \$319.71.

[Translation]

We propose that the new allowances become payable as of January 1, 1974. There are several reasons for choosing this date. First, it coincides with the start of a new tax year and will simplify reporting of income when taxpayers file their tax returns for 1974. Second, provincial governments require time to develop and submit their plans for variations in rates of allowances. Finally, it will take time to gear up the administrative machinery to provide for differential payments.

Parents now in receipt of family allowances will not have to reapply for the new allowances payments. However, parents will be asked to provide some additional information to facilitate taxing the allowances.

● (1630)

There are several other features of the bill that I would like to highlight on second reading. The family allowance will continue to be paid to the mother where there is one. However, it will be up to each family to decide which parent will claim the child as an exemption for income tax purposes.

Family allowances will be paid to parents who are temporarily residing abroad providing they are still paying Canadian income taxes. This will mean family allowances will now be paid in respect of children of armed forces and diplomatic personnel posted abroad. The allowance to be paid in these situations will be the national norm of \$20.

The allowance will be paid in respect of a child residing in Canada who has at least one parent who is a Canadian citizen or a landed immigrant or, in certain circumstances who is a nonimmigrant but whose income is subject to Canadian income tax. To be eligible for the allowance a parent must wholly or substantially maintain the child.

[Mr. Lalonde.]

Allowances will be available for children of immigrants as soon as they are legally landed. This means that the family assistance program, under which allowances equal to family allowances are paid during the first year in Canada, can be discontinued.

The school attendance requirement will no longer apply. Unemployed children under 18 who do not attend school are just as dependent on their parents as children who do. This means that allowances will be paid for all dependent 16 and 17 year olds throughout the year, instead of the present practice under youth allowances where youths must be in attendance at school to qualify for the allowances or be disabled and incapable of attending school.

The bill also provides that the average family allowance can be increased from time to time to take account of changes in the cost of living. Such increases would be brought about by order-in-council subject to approval through a resolution of the House.

Mr. Speaker, the proposal to increase family allowances, which was originally outlined in the Working Paper on Social Security in Canada was applauded by the vast majority of Canadians. To be sure, there were some fears that the magnitude of the increased expenditures would mean an increase in taxes. This will not be the case. The government has decided that priority in the allocation of government revenues will be given to the financing of increases in family allowances. We intend to fund these higher allowances without having to increase taxes to do so.

Apart from increasing the income of Canada's "working poor", the increased allowances should to some extent ease the pressure on provincial social assistance expenditures. The increase in the allowance should in many instances be enough to keep families off the welfare rolls.

Moreover, a tax recovery of \$115 million will be realized by the provinces through tax-sharing arrangements. We would hope that these tax recoveries would be used by the provinces to ease the burden of their social welfare costs.

[English]

I have seen some criticism of the proposal to increase family allowances on the ground that higher family allowances will encourage people to have more children, thus aggravating the so-called "population problem". All available evidence suggests that this claim is unfounded. There are a number of factors which can affect fertility. These include, for example, the level of family income, the economic outlook, trends toward urbanization, higher living standards, increased employment of women outside the home, spread of knowledge of family planning and development of effective contraceptive devices as well as changing social and cultural attitudes toward family size.

There appears also to be a high correlation between higher incomes and lower fertility. Taking account of long term trends, young married couples today are relatively better off than their counterparts of a generation ago and are limiting the number of children they have to maintain the standard of living they have achieved. Moreover, it is estimated that it costs between \$500 and \$700 annually to maintain a child. Consequently, a family allowance of \$240 can hardly be said to provide an incentive to procreate.