

Income Tax Act

Might I quote two very brief extracts from the committee's report because they are directly relevant to the Bill. First:

5.9 There are practical problems with the Child Tax Credit as it now exists. First, for lower-income families the benefit is delivered as a yearly lump sum. Some witnesses have proposed that it be delivered monthly, with the Family Allowance, to increase the amount available for day-to-day expenses. However, we were most impressed by the evidence of the National Anti-Poverty Organization who suggested that families, who have no access to credit, appreciated receiving a bigger sum to cover larger expenses such as household repairs, back-to-school clothing and so on. We were persuaded by this argument.

We proposed that if reform results in a substantially larger Child Tax Credit than exists at present the Government should consider the feasibility of paying the benefit out more than once a year, but not monthly.

This recommendation of our committee is directly reflected in the Bill. Let us continue:

Second, the Child Tax Credit has encouraged the growth of tax discounters. Pursuant to the Tax Rebate Discounting Act, discounters are allowed to charge up to 15 per cent for their services. We do not want money which helps provide for the needs of families diverted to tax discounters. We feel that 15 per cent is an exorbitant rate of return for the risks discounters take in advancing refunds to low-income families.

The Government has acted on all six of the recommendations of the parliamentary committee. We have increased benefits to low-income Canadians dramatically. By the end of the transition period, the benefits will have increased to those earning the least, that is, from \$1,484 a year to \$1,812 a year for a family with two children in Ontario. Similarly, benefits remain the same in the key threshold area of \$30,000 to \$40,000, but once you get over \$40,000, net benefits after tax are reduced. By the time you are looking at a family with an income of \$50,000, the net benefits after tax have been reduced from \$1,048 a year to \$764 a year, exactly the direction which the parliamentary committee recommended. Similarly, our recommendation that the child tax credit be split into two or more installments and an advance payment made has been adopted. This will provide money at a key time of the year when winter clothing is being purchased.

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Finally, the Government acted on our recommendation to limit tax discounting of family allowances in two ways. First, we passed an amendment to the Tax Rebate Discounting Act to limit the amount charged by discounters to \$45 a year plus up to 5 per cent of the amount in excess of \$300. As well, in providing an advance payment we are eliminating the possibility of tax discounters getting their hands on the money. This Bill will result in a payment of \$300 per child to families with incomes of less than \$15,000 a year. Some 700,000 families will benefit, primarily female-led families. We are acting on a problem that was directly dealt with in our report.

We also pointed out that measures of this type were necessary to combat the rising incidence of poverty. In the years from 1970 to 1980, the incidence of poverty decreased each year. However, under the last Government, in the years 1981 to 1984 inclusive, the incidence of poverty in our country increased. Members will be aware that last year, as a result of the measures we took, the incidence of poverty in Canada fell

for the first time in five years. That is a very important achievement for this Government and I fully expect that it will fall again next year as a result of measures introduced in Bill C-11.

It is obvious that these measures will improve the lot of the poor. I was very disturbed yesterday to hear the Liberal Party finance critic and the health and welfare critic for the NDP suggest that these were merely administrative measures and there was no substance to the Bill. Indeed, we heard the familiar refrain that there was no new money in this Bill. Yet it is obvious to anyone who looks at it that the result of the Bill will be to put substantial new money in the hands of people who need it most. Previous to this a very high proportion of people receiving the child tax credit went to tax discounters and received only 85 cents on the dollar. Some 15 per cent of the money provided by the federal Government was being diverted to tax calculation agencies rather than being used by the people for whom it was intended.

It may be the view of the Liberal Party and the NDP that the only thing that counts around this place is spending more and more taxpayers' money without looking to the question of efficiency. It is pretty obvious to anyone who looks at it that for many families there will be an immediate increase of 15 per cent in the amount they receive as a child tax credit because of this Bill. I am surprised that the Liberal finance critic, a former Treasurer of the Province of Quebec, could suggest that money paid six months in advance is not worth any more than money paid in the late spring. Everyone knows that the cost of living is increasing, everyone knows that if you have to borrow money to buy clothing for your children or if you have to go to tax discounters, you have to pay for it, and that means benefits to the poor are decreased. It is pretty obvious that we are operating much smarter than the previous Government did because there is going to be a dramatic increase in the income of low-income families affected by this Bill.

I have outlined six specific measures that we as a Government have taken as a result of the recommendations of the all-Party committee on child benefits. However, I do not think the process has yet ended because, as all Members are aware, the Minister of Finance (Mr. Wilson) indicated that he will be looking at social benefits in his Budget next February to see how we can, within the principles he outlined, provide more money, better directed, to those most in need. This measure is a good example of how the Government can be a lot smarter while being prudent with taxpayers' money.

Finally, the one point in this Bill which I think should be highlighted is consistent with the recommendations of the Standing Committee on Finance and Economic Affairs of which I am also a member. We recommended that there be tax reform in this country to produce a much more accessible and simple system for the poor. Under this Act the money will be paid automatically to those most in need based on their prior year's income. They do not have to apply for it. We feel, and I am sure Members of all Parties are aware of this, that people