

Various groups say that that is almost illegal, because people have already paid for this benefit, yet it is being taken away. In other words, they have paid for a benefit that is now being denied to them.

I wish to point out some other weaknesses in the way that this tax is being applied to Canadians. First, it is done on an individual basis. In a family unit, if the husband earns \$49,500 and his wife also earns \$49,500 a year, they pay no tax even though they have a combined income of almost \$100,000 a year. Their old age security pension is not affected at all other than for their normal income, because, as Senator Simard pointed out, we pay on the amount of revenue received. But if an individual earns \$75,000 and is a single-wage earner in the family unit, then every cent is paid back through this tax.

One of the things the committee should be looking at, presuming that this bill will be sent to the Standing Senate Committee on Banking, Trade and Commerce, is whether or not we should look at the family unit in the same manner as we do for child tax credits, refundable sales tax credits, and guaranteed income supplements—that is, look at the family as a group rather than on an individual basis. We now have two classes of taxpayers. I am sure that even Senator Simard would agree that it is hardly fair to tax a single taxpayer in one family unit while at the same time easing off on those families that have two income-earners.

I received a large number of letters from people who want to appear before the committee. Many of them are suggesting that we travel, and so on. I am not suggesting that, but I thought you might be interested in a letter from Mr. Ken Battle of the National Council on Welfare. In his letter Mr. Battle made the following statement:

But beyond that issue, the council opposed the traditional arguments about universality, which I will not rehash here, that Canadian society has chosen through government to pay benefits to all seniors and to pay some form of benefit to all parents because they do things that are worthy of some form of public recognition, because in a very real sense Canadians are contributing or have contributed to society.

He went on to say:

We put some figures on it and at one extreme you can have a two-earner couple with \$100,000 in income that is not going to pay one cent of the claw-back . . .

Honourable senators, that is what we have in this bill; in other words, there are built-in inequities that have to be reviewed. This bill will affect, as I said earlier, 128,000 people this year; it will affect an estimated one million people within 20 years—all because of inflation and an aging population.

There is another result of this bill that I would like to point out, that Senator Simard lightly glossed over, and that is the impact of what has happened to seniors with a different type of income. For example, if a senior invested his money in dividend-bearing securities, which are grossed up on his income tax form by 25 per cent rather than being dealt with in the normal fashion, as is pension and other income, his report-

ed income has 25 per cent added to it with respect to those dividends. That grossed-up income figure is what is used when considering the \$50,000 per year guideline in the year in which the clawback comes into play.

Honourable senators, that is hardly a fair way to deal with this matter. It means that there are two kinds of income: there is interest income, which is not grossed up, pension income, which is not grossed up, and then, on the other hand, there is dividend income, which is grossed up. This dividend income is earned by people who have invested in Canadian companies because they wanted to see their country grow. Therefore, they have invested in shares and received dividends. However, the indications are that an income of, say, \$45,000, made up half of pension and half of dividends, grossed up, will yield a gross income of \$50,625. That will then throw such an individual into the net of which Senator Simard seems to be so proud.

Honourable senators, these are the kinds of things that the committee will need to look at. We must consider whether the inflation factor should be changed. If the government is insisting on taking back this money, then at least the senior citizens who have toiled to develop this country, and have saved so that they can enjoy the kinds of things that all Canadians enjoy, should not need to bear 3 per cent of the inflation in this fashion.

Honourable senators, I think we should cover all the inflation. It would make matters much more acceptable. At least we would not be looking at a situation 20 years down the road when, with inflation, probably half of all Canadians will be subject to this clawback unless these things are changed.

Honourable senators, 125 amendments were proposed by the department—and this scenario I find very difficult to believe: the government discovered that there were many errors in the bill that should be corrected, and I am quoting from the evidence of Mr. M.L. Jewett, Senior General Counsel and General Director, Tax Counsel Division, given before the House of Commons committee, where he said:

Mr. Chairman, we had proposed a number of amendments. Some procedural difficulties were pointed out to us. On consideration we decided not to proceed with them at this time.

Honourable senators, I have never seen a confession such as that made so openly and so blatantly, where 125 amendments were listed and then were withdrawn because of procedural difficulties, with the promise that they would come forward in further legislation this year.

• (1430)

It would seem to me that our committee has a major job here, to look at what those amendments are and find out why they were so impossible that they could not have been made at the committee stage. It is possible that the Banking, Trade and Commerce Committee will be looking at those amendments.

Honourable senators, I could go on and give you further details on what I think is a watershed in Canadian financial policy and Canadian social policy. We have seen the end of the Canadian dream of universality with the legislation that is