Income Tax

Mr. Patterson: Mr. Chairman, in order to further encourage savings, will the minister consider making interest income non-income for guaranteed income supplement purposes?

Mr. Turner (Ottawa-Carleton): As I said earlier, the guaranteed income supplement is an income test situation and all sources of income are taken into consideration. We have to provide for the savings incentive by reason of the exemption now before the House.

Mr. Jones: I would like further clarification of the definition of "qualified pension income" which appears on page 182. Unless there have been some changes, qualified pension income is defined as income received by the taxpayer in the taxation year in the amount prescribed, and it goes on with a lot of rubbish which apparently is technical, legal jargon about being received by the taxpayer as a consequence of the death of his spouse. Then on page 183 it refers to the spouse of a taxpayer and benefits received by the taxpayer as a consequence of the death of his spouse, which does not make any sense to me.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, we cannot follow the hon. member. Is this on page 182?

Mr. Jones: Page 183.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I wonder whether the hon. member would repeat the question.

Mr. Jones: I ask the minister to look at the definition of "qualified pension income," particularly the last words. This is on page 182. The last part is "received by the taxpayer as a consequence of the death of his spouse." On page 183 it states "where the spouse of a taxpayer has received qualified pension income in the year". That does not seem to make good sense. I do not know whether this is the justice department or the Department of Finance. There is something wrong.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I do not think there is any conflict there. The words on page 182 are:

—were read without reference to the words "if before the end of the year the taxpayer has attained the age of 65 years,") received by the taxpayer as a consequence of the death of his spouse.

There is no conflict there. One refers to the transfer payment and the other to the type of income that is eligible.

Mr. Jones: It is received in consequence of the death. The other spouse is dead. It then says "where the spouse of a taxpayer". You are just talking out of this world.

Mr. Turner (Ottawa-Carleton): As I said earlier, there is no problem. One has to do with his receipt of income and what qualifies for the exemption. The other has to do with the transferability of the spouse's eligibility in the 65 and over situation. There is no conflict here. We will look into the point raised by the hon. member, but I assure him we think his concern is unfounded.

Mr. Neil: Mr. Chairman, I would like some clarification. "Pension income" and "qualified pension income" are described on page 182. It does not include Canada Pension Plan income. There may be a situation where a person is in receipt of old age security plus Canada pension and is taxable. Someone else might be in receipt of old age security, Canada Pension and a private pension of about $1,000. The $1,000 private pension would be exempt from tax. He might pay tax on the Canada Pension and old age security pension. This places a person with a combination of Canada Pension and a small private pension in a much better position than someone who is only in receipt of the old age security pension and the Canada Pension. Am I correct in this assumption? If I am correct, this seems to be an unfair situation.

[Mr. Knowles (Winnipeg North Centre).]

Mr. Turner (Ottawa-Carleton): Mr. Chairman, the Canada Pension and the old age security amounts are not eligible for this interest deduction because they are publicly financed plans, whereas private pension plans are contributed to by the taxpayer.

Mr. Neil: Mr. Chairman, the Canada Pension is contributed to by the taxpayer and by his employer. I am pointing out that there is a situation where a person might have a small private pension in addition to his Canada Pension. He is in a much better position than a person with only the Canada Pension and old age security. This seems unfair because the Canada Pension has been contributed to by the taxpayer and his employer, but it is not eligible for any deduction.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, there are two reasons why these payments have been excluded: first, they are already indexed; second, they are heavily, and properly, subsidized from the public purse. For those reasons it was felt it was not appropriate to render them eligible for further tax deductions.

Mr. Nystrom: Mr. Chairman, there is no doubt that, if not millions then certainly hundreds of thousands of Canadians, will be very happy with a pension deduction, interest deduction and dividend deduction. I want to present the argument to the minister that even though a lot of people will be happy, this measure is not based on equity. As the hon. member for Winnipeg North Centre pointed out, there are many people who do not have other pensions. My grandparents and many others of their generation in Saskatchewan are basically poor. All they receive is the old age pension and the guaranteed income supplement. This provision will be of no value to them; it will not give them any additional tax exemption. That is why I resent this type of move; I do not believe it is based on equity.

The same is true of the interest and dividend write-offs. I am as concerned about people saving as the hon. member for Qu'Appelle-Moose Mountain. It is possible to write off $1,000 in interest and dividend income. With today's interest rates, you can have savings of $10,000. When you look at $10,000, you are looking at the upper income bracket. The average worker might be able to write off $50, $100 or $200. He will be pleased with that.

Mr. Andre: The word is "incentive."

Mr. Nystrom: This is where I disagree with the members of the Conservative Party. I do not think this type of