

Family Allowances Act

For instance, here is how logical they can be, as advocated in the Budget. First, partial deindexation of family allowances in 1986. Second, deindexation of the child tax credit. Third, deindexation of personal tax exemptions for both father and mother. Fourth, abolition of the \$50 tax exemption. Fifth, higher federal sales tax rates, from 10 to 11 per cent as of January 1, 1986. Sixth, a new tax on drugs.

According to our figures indeed the poor will benefit from a higher tax credit for three years but, beginning in 1988, owing to the many other regressive measures I have just mentioned, the poorest of the poor will be penalized under Bill C-70.

On the other hand, wealthy Canadians will continue to claim their capital gains tax exemption and lower retirement plan contributions such as in the case of RRSPs. Given the capital gains tax exemption, people whose income amounts to \$100,000 or more will receive in excess of \$600 million in tax benefits, whereas under the amendments to the Act now under consideration, with respect to the child tax credit and the tax exemption, the Government will save only \$150 million. It is easy to figure out even without being a chartered accountant that the Government will give \$600 million to the rich, take \$155 million from the poor and have middle class Canadians make up the \$445 million difference.

The Budget will also cut down the number of families eligible for the maximum child tax credit because it will lower the limit from which the benefits start to decrease. The limit is now \$26,330 but it will be lowered to \$23,500 for the 1986 fiscal year. For instance, a family with a net income of \$26,000 is eligible for maximum credit under the present system since it is below the limit from which the tax credit is calculated. Once the limit has dropped to \$23,500 the child tax credit will be \$155 less, which is 5 per cent of the difference between \$26,000 and \$23,500.

In addition the limit will be geared to the inflation rate less 3 per cent. As a result, since the average income will go up year after year, more and more families will earn more than the limit and will therefore get reduced benefits.

On Monday, Mr. Speaker, I met in my constituency office a mother who strongly objected to the deindexation on the basis of her family budget which I am going to read to you. The father is the only bread winner for his wife and his two children. Net income: \$19,195.82. Food for the year: \$6,360. Rent: \$5,100. Heating: \$780. Life insurance: \$540. Telephone: \$192. General insurance: \$800. Back to school expenses: \$100. Transportation: \$110. Total expenses: \$13,982. This gentleman has a taxable income of \$10,240. This couple cannot afford a car. In this budget, there are no provisions for entertainment, clothing, drugs. In 1984, they received a Tax Credit of \$367 per child, which means that they received \$734 for both their children. In 1985, the wife was compelled to seek part-time employment. If we add the wife's part-time salary of \$7,000 to the husband's net salary of \$19,195.82, we get a total net income of \$26,195.82. Now that the wife has decided

to return to the labour force to help balance the family budget, this young lower middle class couple will incur a tax credit loss of \$155 the first year, because the budget, as I said earlier, is lowering the ceiling from \$26,000 to \$23,500. If the ceiling remained at \$26,300, this young couple would be entitled to the full Child Tax Credit.

Mr. Speaker, this Bill will have other negative impacts on Canadian families. In the area of taxation, for instance, we are all aware that when the time comes for taxpayers to submit their income tax returns, people are anxious to get an advance payment on their income tax. To do so, they will go to companies which can get them the money more quickly. Did you know that these American-owned companies make between \$15 million and \$20 million profit on these Child Tax Credits?

Moreover, among single mothers whose income is below \$2,000, one out of five of those entitled to Child Tax Credits had to contact a discounter. These mothers need the money, and such examples further demonstrate the need to maintain the social programs for Canadian families, for Canadian men and women. Last year, 60 per cent of the people who used that service earned less than \$8,000. I am referring to the service of discounters. In 1979, there were 7,000 discounting operations. In 1984, five years later, there were 385,000 discounting operations compared with 7,000 five years before. In 1979, there were only a few discounting offices. In 1984, there were over 1,000 in Canada. Between \$15 and \$20 million in profits are made on income tax child credit payments. The assignment of income tax refunds is prohibited in the Province of Quebec and in the United States. The Social Action Committee and the National Anti-Poverty Group are urging that income tax refund discounting be abolished, because even if there is a temporary increase in the income tax child credit for the people most in need, the increase will find its way deep into the pockets of discounters, because if the income tax refund takes four months to come, the discounter is charging four times 15 per cent, which means the client will be paying the discounter 60 per cent of his refund.

I was dismayed yesterday when I heard the statement made by the Hon. Member for Bow River (Mr. Taylor) under Standing Order 22, and I quote:

Mr. Speaker, there is a move on foot to abolish tax discounting or to make it impossible for the legitimate businesses to continue to operate.

He went on to say:

Today some 380,000 Canadian taxpayers use the services of tax discounters, compared with 6,000 in 1979.

As I said earlier.

By and large, the large majority of tax rebate discounters are honest, upright citizens who offer their services to those who want to use them voluntarily.

In my view, the Hon. Member for Bow River is very ill-informed and I will keep on defending the rights of low-income people.