

In 1987, the exemption had a value of \$3,700. With tax reform, the credit had a value of \$850 in 1988. In 1990, the credit's value was \$877. Like other benefits, the credit's value is partially de-indexed, increasing by the cost of living in excess of 3%. As this is a non-refundable credit, families who do not owe income taxes do not receive any benefit from this credit.

In 1961, at the average family income level, the value of the benefit was 2.5% of family income; in 1989, the value of the benefit was 1.7% of average family income.

E. THE CHILD CARE EXPENSE DEDUCTION

Through the Child Care Expense Deduction, first introduced in December 1971, a lone parent or the spouse with the lower income can claim receipted child care expenses incurred while the spouse or parent is earning an income or undertaking training. Although the deduction was originally designed only for lone-parent families, as more mothers entered the labour force it came to be considered as an employment expense deduction to enable both parents to be part of the labour force or a training program. It was designed to offset the extra costs of child care when no parent is available to stay home with the child(ren).

As shown in Table 17, from 1972 to 1975, the Child Care Expense Deduction had a value of \$500 per child, up to \$2,000 per family; increases for the 1976 to 1982 period doubled both the value of the deduction per child and the maximum per family, to \$1,000 and \$4,000 respectively. For the 1983 to 1987 period, a maximum deduction of \$2,000 per child was permitted, up to an \$8,000 family limit. For 1988 and subsequent tax years, up to \$4,000 can be deducted for each child under age 7 at year end, or for a child of any age who has a severe and prolonged mental or physical impairment; a maximum of \$2,000 can be deducted for children aged 7 to 14 years. The maximum limit of \$8,000 per family was removed to ensure that the costs paid by larger families are more adequately recognized.

The Child Care Expense Deduction is of the greatest benefit to those who are subject to the highest marginal tax rates; that is, to those with the highest levels of income.

In the 1988 taxation year, there were 578,870 claims made for 920,110 children. Allowable child care deductions in that year totalled just over \$1.2 billion.

In 1972, the reduction in the tax bill, for the lower-income earner of a couple at the average family income, represented 0.9% of family income; in 1989, the reduction in the tax bill represented almost 1.4% of average family income.

F. THE REFUNDABLE GOODS AND SERVICES TAX CREDIT

In Canada, refundable Sales Tax Credits have existed since 1986. When first introduced, for 1986 and 1987 the credit had a value of \$50 per adult and \$25 per child, with the value of the credit reduced by \$5 for every \$100 of net income in excess of a \$15,000 threshold. Increases in 1988 through 1990 led to a maximum credit value of \$70 per adult, \$35 per child and a threshold of \$16,000 in 1988, \$100 per adult and \$50 per child with the income threshold unchanged in 1989, and \$140 per adult, \$70 per child and an income threshold of \$18,000 in 1990. It was paid annually.

In 1991, the federal Sales Tax Credit was replaced by the refundable Goods and Services Tax Credit aimed at alleviating the effect of consumption taxes on lower-income Canadians. Currently, the credit has a value of \$190 per adult and \$100 per child, reduced by \$5 for every \$100 of net