

*Family Allowances Act, 1973*

Program is among the highest for all Government Programs. Because of the Program's great success, it has not proved necessary to make major changes in the Child Tax Credit Program since its introduction.

● (1700)

There was, however, one minor but nonetheless important change in 1981. At that time the legislation was amended so that, effective with the credit program in 1981, payment could be tied to the eligibility for the Family Allowance in January of the year the credit is paid. Originally the credit went to the person who received or was eligible to receive the allowance in December of the preceeding year. This meant that in certain cases where a child went from the custody of one parent to the other in December, the credit was paid to the parent no longer having custody of the child; so obviously this was a good amendment which ensured that the parent having the custody of the child would receive the credit. It also meant that if a child was adopted, or returned to his or her parent from an institution in December, no credit was paid to anyone. As well as this minor change, the maximum amount of the credit and the level of the family income threshold have been increased each year in line with the increases in the cost of living. For instance, in 1980 the maximum credit payable was \$238.00 per child for families with a net income below \$21,380. In 1981 these amounts rose to \$261.00 and \$23,470, respectively.

Had the Government not been required to make adjustments to this Program in order to bring inflation under control, the maximum child credit for 1982, that is the credit payable in the spring of 1983, would have been \$293.00 per child for families with a net income of \$26,330 or lower, in 1982. However, as I said earlier, because of the strategy the Government adopted in the June Budget, the six and five program, the maximum child credit payable in 1983 will be increased by \$50. This means that the maximum 1983 credit will be \$343.00 per child. The income threshold will remain at the previously announced level of \$26,330.

There are really three points in the Child Tax Credit change which I believe the Hon. Members must keep in mind when considering the implications of the Family Allowances legislation that is before us today. First, the \$50 increase will be sufficient to make up completely for any loss due to the 6 and 5 per cent ceilings on Family Allowance indexation which the 2.4 million low and moderate income families with children will experience over the next two years. The Government does not expect and will not permit them with their five million children to undergo a loss because of the steps that have had to be taken to facilitate the recovery of the economy.

Second, the \$50 increase will be paid in advance of almost the whole period during which indexation of Family Allowances is limited. To elaborate somewhat, the reduced or capped indexation of Family Allowances will first be effective with the January 1983 Family Allowance cheques. But most mothers will receive their 1982 Child Tax Credit, including the \$50 increase, by March or April of 1983. This means that

most families receiving the credit will obtain total compensation for the limited allowance well in advance of most of the period during which the cap on Family Allowance benefits is in effect. I feel that this is an especially significant and positive feature of the legislation which should not be overlooked. It is no coincidence that the same approach was taken when the original Child Tax Credit legislation was introduced.

I should also point out that the \$50 increase in the Child Tax Credit will approximately balance the loss in Family Allowance indexation only if inflation remains at the high rate we have seen during the past year. If the six and five program works in the way in which it is portrayed, the rate of inflation will be lower in 1983 and 1984. This means that in the second year of the six and five program, the effect of the cap on the Family Allowance rate will be minimized. Were this to happen, mothers receiving the Child Tax Credit would be more than compensated through the \$50 increase, for the effect of the indexation limit over the two year period.

I want to point out that no cost of living limits have been placed on the Child Tax Credit Program. This means that both the maximum amount of the credit and the income threshold will continue to be fully indexed. Thus, the maximum Child Tax Credit will be increased by the full rise in the cost of living, to arrive at the maximum Child Tax Credit to be paid in 1984. The income threshold of \$26,330 will likewise be indexed fully. It is also very important to emphasize that full indexation of Family Allowances will automatically resume in January of 1985.

Obviously, if the increase in the Child Tax Credit is going to compensate mothers in low and moderate income families for the loss they will experience from the limits to be placed on the Family Allowance indexation, then the cost of this increase will also offset any family allowance savings from these groups. Thus, the savings to the Government over the two year period resulting from these program changes will basically come from upper income families who are in a better position to pay for it.

Clearly, it was with the greatest reluctance that the Government chose to place a limit on the amount of the annual increase in family allowances. The 2.4 million mothers receiving family allowances, who also receive the Child Tax Credit, will be fully protected over the next two years. However, the million or so remaining mothers who do not qualify for the credit have been asked to incur a slight loss, along with many other Canadians, so that together we can fight the battle against inflation. This loss will be just under \$50 per child over the two years of 1983 and 1984.

The Government could have chosen a much more drastic course of action. It could have done what others have advocated, and slashed Government spending by eliminating whole programs. The Hon. Member for Kingston and the Islands (Miss MacDonald) talked about having these programs fully indexed while the Hon. Conservative Member for St. John's East, on the night of the Budget, when they asked him what he would have cut out, said that he was afraid to tell us because they would never be elected.