

Income Tax

I should like to suggest another thing the minister might consider including in his taxation bill. The minister has had great success with Canada savings bonds, I think mainly for two reasons. The first is that there has been a good rate of interest; the second is the provision that the first \$1,000 of income derived from Canada savings bonds is tax exempt.

I should like to suggest to the minister that he consider having the coupons payable every six months instead of once a year. This is done with other government bonds; they are payable twice a year. Short-term paper can be made payable at almost any interval the investor wants. The old age pensioners would find it much more convenient not to have to wait until November of each year to clip their coupons and then ration them out over a 12-month period. Perhaps the minister would be kind enough to consider that suggestion.

I should like to speak for a moment or two about annuities, particularly government annuities. I have been receiving a steady stream of letters from my constituents, some of whom placed their faith in the Canadian government when it asked them to lend money to it in return for an annuity when they retired. I have already spoken of the disadvantages of an annuity which have been brought about through the fact that the guaranteed income supplement is not payable to most annuitants. If the annuity is the same amount as the guaranteed income supplement, then, of course, that benefit disappears.

However, I had not thought that even a government as callous as this one would see fit to deny annuitants the \$1,000 exemption given a person who invests in government bonds. I realize that this money was paid over or lent to the government and was tax free, or could be deducted from taxable income at the time the investment was made. However, this money was lent at 4 per cent. Some say the percentage is even lower than 4 per cent, but I think 4 per cent is close to the mark. In some cases the government has had this money for 30 years, and for the last several years has been able to re-invest it at rates of 10, 11 or 12 per cent. Although it got it from these people at 4 per cent, the government does not see fit to make any return to them other than to pay the 4 per cent.

This Scrooge attitude the government has taken to people who have invested in the government is callousness that I do not even like to think about, especially when many of the annuitants are elderly citizens who found this money very hard to come by at the time the government asked them to invest in its good faith in order to give themselves a more prosperous old age. The advertisements put out by the government make very bad reading now when they declare, as they did in those days, that "the best investment you can make is in your government".

Another class of annuitants are those holding the 3 per cent perpetual bonds. When the minister of Finance in the Liberal government of 1937 or 1938 asked the people of Canada to help it renegotiate a lot of

the outstanding debts of the government by buying perpetual bonds, these bonds were supposed to bear the same rate of interest for 30 years, if my memory serves me correctly. Then in the late 1960's they were to be subject to redemption, or whatever the government decided to do with them.

As it turned out, Mr. Speaker, the government decided to do nothing with them. The government has had 3 per cent money and it intends to keep it that way. A lot of people in Canada are stuck with these bonds. Their value is down in the \$40 range for each \$100 paid in, and the government has set no date when these bonds that cost \$100 each will be worth \$100.

I most strongly suggest to the minister that he consider this way out of getting rid of this annoying lack of faith, or lack of goodwill, that the government has shown over the years. I understand there are not very many of the original investors left, but there are several million dollars worth of these 3 per cent perpetual bonds being held. I therefore strongly recommend to the minister that he set a date for the redemption of these bonds, say 10 or 20 years ahead. These bonds would then increase in value, at least giving the holders the knowledge that there will come a day when once again their bonds will be worth what they paid for them back in the 1930's, and they can escape the trap that they are in at the present time.

I should like to mention another inequity displayed by the government's attitude toward pensioners. I refer to the pensions of servicemen. With great fanfare the government introduced, some time ago, indexing of servicemen's pensions and has been quick to proclaim ever since that servicemen's pensions today are indexed. They are, Mr. Speaker, provided a serviceman can meet the specifications of the iniquitous 85 rule, the rule that says you must have enough service which, when added to your age, equals 85.

For several years these pensions have become payable at age 60. Add 25 to 60 and you have 85. Through the magnificent generosity of this government the 85 rule now requires, first of all, that a serviceman must be at least 55 years of age, which means he must have 30 years' service to bring him within the 85 rule, to bring him within the magic circle. Some servicemen do have 30 years' service. But the saddest part of all is that it is usually the senior officers who have 30 years' service, not the private soldier or rating.

In fact for many years the Royal Canadian Navy forbade petty officers serving more than 25 years. Therefore, if a rating in the navy served 25 years, he must wait until he is 60 years of age before his pension becomes indexed, which gives him absolutely zero benefit from the indexing that the government proclaimed in its great act of generosity. As a member on this side of the House suggested a few weeks ago, the government should see whether it could not decide to introduce a 75 rule instead of an 85 rule, thus giving a little benefit to the ranks instead of to senior officers who are allowed to serve for 30 or 35 years and thus have their pension indexed immediately upon leaving the services.