

Overdue Tax Payments and Refunds - The interest payable on overdue tax payments would be increased by two percentage points. The rate of interest paid by the government on overdue refunds would also be increased by two percentage points.

Government Priority Over Secured Creditors - The Government would have priority over secured creditors in the collection of overdue source deductions.

Legal Expenses - Legal expenses incurred to obtain a pension benefit or retiring allowance would be tax deductible.

Medical Expenses - The list of medical expenses qualifying for tax assistance would be expanded.

Drought Relief - Cattle farmers would be provided a new drought relief tax deferral.

Attendant Care Expenses - The working disabled would be permitted to deduct expenses for part-time attendant care.

Repayment of Family Allowance and Old Age Security

The weight of evidence heard by this Committee concerned the Government's plan to tax back family allowances (FA) and old age security (OAS) payments at the rate of 15% of net income in excess of \$50,000. This tax back, commonly referred to as a "clawback", would be phased in over three years: in 1989, only one third of the calculated clawback is payable; in 1990, two thirds is payable; and the full amount is payable in 1991 and subsequent years. For 1990 and subsequent years, the \$50,000 threshold at which income becomes taxable would be indexed to inflation to the same extent as are other tax measures. That is, the threshold would be raised at the rate of inflation minus 3 percentage points.

The April 1989 Budget indicated that in 1990 an estimated 535,000 families, or 14% of family allowance recipients, would be affected by the tax back. Among OAS recipients, 128,000 individuals (4.3% of the total) would repay at least some part of their benefits as a result of the clawback.