

that the workers, the members of this union, are making contributions which are reasonably substantial. The plan has been set up solely for the purpose of providing pensions for their fellow workers. The money is not put away in a registered retirement savings plan or in a trust company; it is held by the union which operates on a "pay as you go" basis. Pensions are paid each year to those who have retired, out of the funds which come in each year from those who are working.

My point is this: Canadians who are in this union are making payments into a fund the purpose of which is to provide pensions. They make these payments in the hope that when they retire they will get their pensions from this same fund. Yet, as I said, the Department of National Revenue is questioning the right of the members of that union to claim deductibility. It was Mr. Abbott many years ago who brought in the provision allowing for deductibility of trade union dues and who separated pension plan payments from other income. This worked well for years. Now there is this trouble. While the Department of National Revenue is considering the matter in terms of the law as it now is, would the minister look at it and consider my contention that the law ought to be changed to cover this kind of case?

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I will certainly do that.

Mr. Patterson: Mr. Chairman, I wish to ask another question about the \$1,000 exemption which has been included for the express purpose of encouraging savings. Senior citizens receiving the old age pension are not affected by this particular exemption. Yet, if my information is correct, interest from savings does affect entitlement to GIS. Will the minister clarify this point? If I am right, I suggest that the law will discourage savings, whereas those who have been less thrifty and have spent all they earned will benefit: such people are entitled to OAS and GIS, whereas those who have saved money and enjoy interest income will not be entitled to GIS or will not be able to participate fully in that program.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, the hon. gentleman is correct in his interpretation. The incentive to save, in other words equalization for those who have taken pains to provide for themselves, is recognized by this exemption of \$1,000. Equalization is not included under GIS because the GIS is an income tested supplement to the old age pension. So in recognition of the incentive and because we want to encourage people to save for themselves, we have allowed this interest exemption from income.

Mr. Patterson: It seems to me that those who did not save will receive assistance from society, whereas those who have saved or who have denied themselves will be penalized. I wonder if the minister could consider this particular point and declare that GIS shall not be affected by interest income.

Mr. Turner (Ottawa-Carleton): Mr. Chairman, I think we have an answer for the hon. member for Winnipeg North Centre. The way the bill is now drafted, it provides that if the non-taxable spouse is not in a tax bracket and has pension income of, say, \$500, that pension income is

Income Tax

deducted from the marital exemption available to her husband. What this transfer does is restore the full exemption despite the pensionable income but does not transfer the pensionable income exemption. Does the hon. member follow? In other words, the pension income is exempted as a deduction from the marital exemption available to the other spouse but the total exemption is not transferred. So what I said to the hon. gentleman still stands: the pension exemption of \$1,000 is not transferred to any pension received by the other spouse who is not otherwise taxable; that is not considered in lowering the marital exemption available to the taxable spouse. I hope that is clear.

Mr. Forrestall: As clear as mud. Would the minister mind repeating it?

Mr. Turner (Ottawa-Carleton): If the hon. gentleman consults legal counsel, the hon. member for Broadview, I think this will be explained.

Mr. Gilbert: I will charge a fee.

Mr. Knowles (Winnipeg North Centre): Mr. Chairman, I think the minister has been able to state it in such a way that he can contend he did not make a mistake in what he said previously. At least it is a fact that an exemption of up to \$1,000 is available, but it is under a different name. You can do it by the restoration of the marriage exemption, which otherwise would have been lost.

Mr. Turner (Ottawa-Carleton): If the hon. gentleman wants to put it that way, we were both right.

Mr. Knowles (Winnipeg North Centre): I still think that the wording on page 183, between lines 1 and 20, could be improved. Instead of using wording like "the lesser of" this or that, why cannot the Department of Finance come up with better language, or if Finance cannot do it, why cannot the Department of Justice do it? In another moment I shall defer to someone else. The minister, in replying to my initial comments about his not doing anything for those senior citizens who are not taxable, was trying to make the point that those who live only on OAS and GIS are getting escalation, and he says that all he is trying to do is provide a comparable improvement to those who have other income as well. I point out that those who have other income as well also have their OAS escalated. May I also remind him that this escalation about which he, the Minister of National Health and Welfare and others over there boast so often, is always behind. It never keeps the retired person up with the cost of living, let alone up with the standard of living or in line with the gross national product.

● (1720)

If the minister now says that the 45 or 50 per cent of old age people who have other income and who suffer from inflation need restoration of their income or the protection of this \$1,000 exemption for taxation purposes, I say to him that the other 45 or 50 per cent who are not in the tax bracket need it even more. I suggest that the minister go back to cabinet and get together with the Minister of National Health and Welfare. Let him face this problem and come back some time soon with a substantial increase in the amount of the basic old age security pension.