

Government Orders

reminder of when we had the attempt to deindex old age security, that sacred trust to which I just referred.

The reality is that the 1989 budget did cut the Old Age Security benefits through this clawback and cut family allowances and cut health care funding. Today, the practical implications are that anyone receiving \$50,000 a year in net retirement income will have their pension benefits clawed back into the government's treasury. It is the same for family allowances.

There is an additional piece of trickery for 70 per cent of seniors whose net income is based not only on pensions and interest but dividends as well. For if you collect dividends the amount of these dividends are grossed up by 25 per cent.

Len Shiffrin said it far better perhaps than I am going to when he pointed out in *The Ottawa Citizen* of May 4,—I think we have to focus part of the fight in this area—that the moneys received from your Canadian investment income is grossed up by 25 per cent in calculating net income. Then this is offset by the dividend tax credit in the final tax calculation. The clawback, however, is based on the inflated net income figure. Therefore, the threshold is not based on real income, it could include thousands of dollars imaginary income grossed up by 25 per cent on Canadian investment income.

What about tomorrow? Within 10 years nearly one million more Canadian families will lose all or part of their family allowances and old age pensions because of this government's action. The threshold will change. It will only rise in future years if the annual inflation exceeds 3 per cent. That means eight years from now the taxed back threshold will have fallen to equivalent of \$40,000 today.

It is true that \$50,000 income threshold for the beginning of its clawback affects relatively few seniors and sounds like an awful lot of money but it is about 13 per cent of old age security recipients who file income tax forms with only 3.5 per cent of those paying back all of the pension.

At first glance it seems reasonable. Indeed, it might seem like easy street to many people—according to Hugh Winsor—approximately a half a million seniors

who live below the poverty line. I would say to them, do not think that it is such an easy street.

It is true the \$76,000 where the clawback tops out is beyond the expectations of most Canadians, but the sneakiness and the potential unfairness enters in the way that the Prime Minister and Minister of Finance have chosen to treat that over time. It is very sneaky, it is inflationary. We can see that most people who are young and in their early forties today will be losing their pension, their Old Age Security, and so the whole principle of universality is being thrown out the back door. We use bureaucrats to send out the cheques. We say: "We will give it to you," and then we use bureaucrats to see that we collect it back. It makes absolutely no sense. If the government wanted to cut universality it should have said so.

• (1520)

Mr. René Soetens (Ontario): Madam Speaker, I rise today to join in this debate on the issue of Old Age Security tax back and family allowance. I am surprised that we would be debating this particular issue considering that the members to the left in this House have generally been concerned about the fact that higher income Canadians are not paying their share.

We are trying to come up with a proposal to make it possible for Canadians to pay their share in a very appropriate fashion. Yes, it will be universal. It will be universal in that every Old Age Security recipient who receives the cheque who is of high income will pay it back in one form or another. So, it is very universal and very appropriate.

What are we talking about? During the free trade debate many months ago the opposition and others instilled fear in Canadians about how they were going to lose all their benefits because of free trade. The most vulnerable people in our society were attacked by those in opposition. Now we see another very similar attack. I have received calls from constituents in my riding, from people who are receiving old age security who would not be affected by this particular measure for quite some period of time.

I thought I would follow through on some of the misrepresentations that some of my constituents have received on this issue by people opposed to this Old Age Security tax back. Basically, if you take the average Canadian who only receives Old Age Security and Canada Pension—I would point out that there are many seniors in my riding who only receive those two particular items—it means that they have an income of \$11,000 a year. That is a very low income and certainly not one