

### Order Paper Questions

(vii) between \$40,001 and \$50,000, (viii) between \$50,001 and \$70,000 and (ix) over \$70,001?

**Hon. Michael Wilson (Minister of Finance):** No. The government has not estimated the annual net revenue cost of the tax deductions for excess carrying charges over investment income for each year since 1984. To construct such an estimate would require assumptions about the composition of both investment income and carrying charges. For example, investment income may be defined as including either nominal or taxable capital gains and either cash or grossed-up dividends. Similarly, carrying charges may include all forms of interest expenses or may exclude some expenses such as interest on rental property.

A further difficulty in producing such an estimate is that it must be computed on a case-by-case basis rather than from aggregate statistics.

#### REVENUE COST OF SAVINGS PLANS

##### \*Question No. 17—Mr. Nystrom:

For each year since 1984, has the government estimated the annual net revenue cost of the tax deductions for contributions to registered pension plans and registered retirement savings plans and, if so, (a) what is it (b) what was the average tax saving by tax filer for individuals whose total income was (i) below \$10,000, (ii) between \$10,001 and \$15,000, (iii) between \$15,001 and \$20,000, (iv) between \$20,001 and \$25,000, (v) between \$25,001 and \$30,000, (vi) between \$30,001 and \$40,000, (vii) between \$40,001 and \$50,000, (viii) between \$50,001 and \$70,000 and (ix) over \$70,001?

**Hon. Michael Wilson (Minister of Finance):** No estimates have been made of the net revenue costs of the tax deductions for RRSP contributions and employee RPP contributions either in aggregate or for taxfilers in different income groups since such estimates could provide quite a misleading picture of the level and distribution of tax assistance for retirement saving. There are two main reasons for this.

First, information on pension contributions by taxfilers ignores the value of employer contributions to pension plans. Information reported in the Statistics Canada publication *Pension Plans in Canada* (catalogue 74-401) indicates that in 1985 employer contributions to RPPs totalled \$8.2 billion, nearly double the total of \$4.4 billion contributed by employees. Moreover, about 30 per cent of pension plan members (1.4 million out of 4.7 million) belong to plans with no employee contributions. Thus, information on the distribution of employee pension contributions does not provide an adequate proxy

for information on the distribution of employer pension contributions. No source of data currently exists that would show the distribution of employer contributions (or, alternatively, the distribution of pension benefits accrued in the year) across taxfilers.

Second, an estimate of the immediate tax savings associated with the deductibility of pension or RRSP contributions would ignore the future tax liabilities associated with the full taxability of payments or withdrawals from RPPs and RRSPs. Thus, it would tend to overstate the advantage provided by the tax treatment of retirement savings (particularly for older taxfilers) by treating tax deferrals as if they were full tax exemptions.

For the above reasons, the distribution of the tax advantages associated with saving through RPPs and RRSPs can only be properly estimated using a model which takes into account both the role of employer contributions to pension plans and the full tax consequences of a contribution. Work has begun in the Department of Finance to construct a model of this sort. The aggregate annual federal cost of tax assistance for retirement saving, taking account of both employer and employee contributions to RPPs, has been estimated to be in the range of \$5-6 billion.

#### REVENUE GENERATED BY CORPORATE TAXES

##### \*Question No. 18—Mr. Taylor:

For (a) 1989 (b) 1990 (c) 1991 (d) 1992 (e) 1993 (f) 1994 (g) 1995, has the government prepared an estimate of the percentage of its revenues that will be generated by corporate taxes and, if so, what is it?

**Hon. Michael Wilson (Minister of Finance):** Consistent with the fiscal projections underlying the budget tabled on April 27, 1989, the percentage of total budgetary revenues that will be generated by corporate income and capital taxes is as follows:

|         |               |
|---------|---------------|
| 1989-90 | 12.2 per cent |
| 1990-91 | 12.1 per cent |
| 1991-92 | 12.7 per cent |
| 1992-93 | 13.1 per cent |
| 1993-94 | 13.4 per cent |

No estimate was prepared post fiscal year 1993-94.

#### TAX RATE STRUCTURE

##### \*Question No. 19—Mr. Whittaker:

Has the government assessed the net revenue impact of adding to the current tax rate structure a fourth marginal tax rate of 32 per cent to be applied to individuals with taxable incomes of \$60,001 and over and, if so, what is it?