

Legislation; old age security; fiscal provisions

9. The Minister of Finance submitted legislative proposals respecting contributions under the proposed old age security legislation.

It was estimated that the annual cost of providing \$40 monthly pensions to all persons over the age of 70 meeting certain residence and other requirements would be approximately \$342 million. The estimated annual federal expenditure on both universal and means test pensions would be approximately \$382 million. It was intended that monies required in connection with old age assistance would continue to be paid out of general revenues. On the other hand, it was proposed that a special fund be established as a separate account in the Consolidated Revenue Fund to which would be credited all contributions under the Old Age Security bill and to which would be charged all payments in respect of universal pensions.

It had been suggested that a social security fund be established to cover both old age security and family allowance payments. The present 10 percent sales tax would just about cover disbursements required for both these purposes and it had therefore been suggested that the sales tax be relabelled as a social security tax and be used exclusively for the financing of universal pensions and family allowances. After considering all aspects of the problem, however, he had come to the conclusion that it would be inadvisable to use the sales tax exclusively for this purpose and it was therefore recommended that, in order to raise the monies required for the universal pensions, 2 percent of the existing 10 percent sales tax be earmarked for this purpose, that an additional 2 percent levy on personal incomes be collected on the basis of exemption ceilings presently in effect under the Income Tax Act, this levy not to exceed \$60 per annum in respect of any person, and that an additional 2 percent corporation tax be imposed over and above the present 15 percent and 38 percent tax. It was estimated that the 2 percent sales tax would produce approximately \$145 million, the 2 percent personal income tax approximately \$95 million and the 2 percent corporation tax approximately \$65 million or a total of \$305 million per annum. During the first year of operation, federal expenditures under the Old Age Security bill might be as low as \$320 million. As a matter of general principle, it was felt desirable that the old age security