

Miss Campbell: Mr. Chairman, first of all I would like to thank this opportunity to congratulate the Minister of Finance and the Minister of National Health and Welfare.

Mr. Stevens: Mr. Chairman, I rise on a point of order. I know we are all anxious to get on with the bill as quickly as possible. However, I think it would save time if I could have an assurance from the minister that, on the basis I have represented, he will get his officials working on 1981 figures just so we can see the impact of an 8 per cent inflation if the situation is still static. Could I have the assurance that the minister will be doing that?

Mr. Chrétien: Mr. Chairman, he loves to have a lot of people work for nothing. I think I have explained the principle. I will make a calculation on the assumption that there will be no more children and inflation will be 6 per cent.

Mr. Stevens: Eight per cent.

Mr. Chrétien: It will not be 8 per cent. I will not buy that one. I will make a calculation that everyone will be quiet for next year and there will be no more children, as you mentioned.

Miss Campbell: Mr. Chairman, this is an innovative bill. I say this because the refundable tax credit and its application, in my opinion, introduces for the first time a negative income tax system. In other words—and one of the ministers may wish to correct me on this—the refundable tax credit will not only apply to families with children who are taxpayers but to families with children who owe no taxes and who, in the past, would have been unable to take advantage of the credit. These people, the ones who owe no taxes, the most in need, will receive a benefit for the first time from the tax system. I feel that the use of the tax system to provide a benefit for families, whether or not they owe taxes, brings us a step closer toward the restructuring of our whole system of income support programs. In so doing we come closer to the implementation of guaranteed annual income.

In my opinion a guaranteed annual income program would do away with a lot of income support programs now in existence, such as the old age security, spouse's allowance, guaranteed income supplement for persons 65 years of age and over, family allowance, provincial assistance and other programs of assistance. If we had a guaranteed annual income program I feel we would lessen the burden on the taxpayer, first by reducing the administrative costs of all these individual programs and the duplication of services therein, and by eliminating some of the disincentives to work that are there in the present system.

What is proposed in this bill, in my opinion, is a restructured system of financial support for families with children. I have some concerns, and before I go on to this, Mr. Chairman, I would like to talk about this restructured system. The federal income system will be used to deliver benefits to low and middle income families, including those families below the

Family Allowances

poverty line who would normally not be affected by the usual tax cuts.

Let us look at the present system. What do we have for families with children? We have the family allowance which provides a taxable benefit of \$25.68 a month for each child under the age of 18 in the past year. The dependant's exemption excludes from income tax \$460 for each dependent child aged 16 and under, and \$840 for a dependant 16 years of age and over but under the age of 18. Both of these two items are presently indexed to the cost of living. We also have an additional measure in the personal income tax which allows a taxpayer, with children, a reduction in federal tax of up to \$50 for each child, up to an income of \$26,000. This measure has been in existence since the 1977 tax year.

I have looked at the financial implications for 1979-80 concerning the changes as announced in August by the Minister of Finance and the Minister of National Health and Welfare and now incorporated in this bill. They may be outlined as follows. First, we have the basic federal family allowance which will be reduced to \$20 per month per child beginning January, 1979. The current rate is \$25.68 a month, and because it is indexed to the cost of living it would have risen to about \$28 in January. The savings from the lower payments to be commenced in January are \$690 million, so I am informed. The reductions in tax revenues are \$130 million, since allowances are taxable. The net saving is \$560 million.

Second, the current tax credit of \$50 per child under 18 years of age would be eliminated. The savings in this case amount to \$260 million. Third is a refundable child tax credit which is going to be introduced to take effect based on the 1978 taxation year. The basic credit will be \$200 a year for each dependent child under the age of 18. It will be available in full to any family with net family income of up to \$18,000 a year. The credit will be reduced 5 per cent of net family income above \$18,000, for an expenditure of \$810 million, and fourth, the tax exemption for children age 16 and 17 will be reduced from \$840 to \$460, the same level as for children under 16. This change is being phased in over two years. Hence taxpayers now benefiting from this deduction will not be affected. The saving will be \$25 million.

● (1632)

If one worked this out on paper, he would see that the restructured system will result in a net saving to the government of \$35 million in fiscal year 1979-80. In other words, the aggregate benefits provided under the child support system will decline marginally with the new system. The incidence of benefits, however, will change significantly. Benefits to the poorest families will increase. Families with incomes close to the national average will be about the same, while benefits to high income families will decline.

The exact impact of the restructured system on families with different levels of income will vary with the number of children and the province of residence since income tax rates differ from province to province. The effect of the proposed changes will be to redistribute benefits from the wealthier to