

children or to older children. It seems to us that this was somewhat of a separate issue.

Our main consideration is that at the present time a standard deduction of the same amount is given for all children regardless of whether their age is one or sixteen and that such benefits would be better used or more equitably used if they were moved from a deduction to a tax credit form. The council's view is that a still better step would be a direct payment scheme such as family allowances, that this method would be more equitable overall.

**The Acting Chairman:** Rather than an exemption?

**Mr. Philip:** Rather than an exemption. If we were taking our preference, we would have direct payments in increased family allowances, followed by the second preference, tax credits. I suppose that a further step here would be tax credits which were actually refunded which really brings you the same as payment of family allowances. Tax credits alone—with no refunds—would be preferable to the deduction which would be our last choice.

**The Acting Chairman:** One of the things that worries us about the deduction is the point that you make in item 30, that it offers a greater relief to those in higher tax brackets.

**Mr. Philip:** That is right.

**The Acting Chairman:** You go on to say that:

The council recognizes that equity can be achieved in a system of flat exemptions given to everyone, such as the basic personal exemption, by taking into account, in formulating the rate structure, any changes in the exemption levels.

Do you think that is done under the proposed new rate?

**Mr. Philip:** I would say that in our discussions, and I am sure in a lot of discussions, the setting of the rate schedules is a mystery. I am not sure whether they are set scientifically or set by lining up a wide variety of rate schedules and arriving at what you want the total revenue to be. I would think it is probably the latter rather than the former.

**The Acting Chairman:** That is something we will never know.

**Mr. Philip:** I am sure we will not know. We would have to assume, I suppose, that in the examination and

determination of the rate schedule, if there was going to be an equitable rate schedule established, that that factor would be taken into account. I do not think that you will ever know whether it is or is not.

**The Acting Chairman:** But you would rather see it paid by an addition to the family allowances.

**Mr. Philip:** We are talking here about two different things. The basic exemption can be adjusted, the \$1,000, as it is now, can be adjusted, if it is moved to \$1,400, by an adjustment in the rate schedule. So, it takes everybody out of the bottom rather than taking the extra 400 off the top. That can be done equitably by the science of setting a rate schedule. That cannot be done for children's allowances or children's deductions unless you have a separate rate schedule for single people, for a married person with one dependent, married with two dependents, married with three dependents, and so on. Then you can do it, with about 15 rate schedules. Without that, the only way you can get equity in changing the exemptions or changing the children's exemptions is to have a tax credit.

**The Acting Chairman:** We shall pass on to the next item, the family as a tax unit. You regret that consideration of this was postponed. Do you have any comment on that?

**Mr. Philip:** I said earlier, I think the council's initial presentation to the Carter commission was that the matter should be examined. Carter did give it substantial examination and came out in favour of it. I do not think this presentation particularly suggests that we support Carter's position or do not support Carter's position in that regard. But in the light of the current situation, surely when the Carter Report was so substantially based on this premise the matter should have got fairly extensive consideration in the White Paper presentation, it should have been either accepted or rejected and the reasons given.

**The Acting Chairman:** Honourable senators, are there any questions on that? If it were considered as a family unit, that would be more in conformity with the whole concept of poverty allowances.

**Mr. Philip:** The council felt that we should be striving for a closer recognition of the family in total and that this is a very proper recognition in the income field when we are looking at the poverty level, just as you suggested in an earlier discussion that in the lower income group all the revenue that flows into the household is important in looking into whether