

Income Tax

A change has been announced which will be effective for one year or 13 months. There will again be this opportunity for citizens who have money to invest. However, it is not receiving a warm reception, for several reasons. First, 13 months is insufficient time to bring plans for an apartment building, from the original idea to eventual construction start, to fruition. Second is the reputation that the government has established with this group of investors.

When the previous regime, that is up until 1971, took away this incentive retroactively, it did it in such a fashion that many investors had their plans for their family estate taken away from them overnight. These investors do not mind being stung once in a while, but they hate to be stung twice by the same organization. That is what the minister is trying to do at this time. The investor may well say, "It is very well for you to give me this incentive this year, but you may take it away next year, the year after or, as you did last year, up to five years in the future." No wonder investors have not rushed forward to put their money into accommodation. The government must have investment in rental accommodation. As I recommended before the dinner hour, it should admit it made a mistake and reinstitute the capital cost allowance and transfer taxation of personal income against depreciation.

I now wish to deal with what this tax bill is doing for our pensioners. On Friday last the hon. member for Esquimalt-Saanich (Mr. Munro) suggested that all old age pensioners should have their income, as well as their pension, tax free. I discussed this with my colleague, the hon. member for Esquimalt-Saanich, over the week-end when we were visiting our constituencies. He pointed out he had neglected to mention that an upper limit should be put on this tax free income in order that there would not be a rush back to the native soil of some of our wealthier citizens from the Bahamas or Barbados to find a new tax haven in Canada.

What we are trying to do is suggest protection for those people who have followed the fashions of the times. When many of our older citizens were young, they worked hard and saved for their old age. Many of these people who now hold annuities and other small bits of income are being cruelly taxed. In addition, they are being denied the guaranteed income supplement to their old age pension.

Any person drawing the old age pension, who has saved his money and invested it in order to have a separate income of up to \$150 a month might as well never have saved or invested a penny of it. He might better have spent the money on beer. Such people would now be drawing an equivalent income as they would qualify for the guaranteed income supplement which carries with it a considerable number of small benefits. It is this group who have been particularly badly treated by the present government.

Over the past four and a half years the basic old age pension has increased by just over 50 per cent. The guaranteed income supplement has increased over 200 per cent. Therefore, the condition is worsening. Those who were thrifty, frugal and saved for their old age are

[Mr. McKinnon.]

being disadvantaged every day by this government which continues to bring in legislation that does not favour frugality.

The \$1,000 exemption for pension income will, fortunately, be beneficial to quite a few people. However, it will not be beneficial to those who need it most, namely, those subsisting solely on their pension. They will not go into the bracket where they would get a great deal of benefit. As a matter of fact, some will get no benefit at all from the \$1,000 exemption. This does not read too well when we consider that in his budget speech the minister said he would bring "significant relief to older people," that is, provided they are not the ones who most need significant relief.

My own attitude, and this is not party policy that I am espousing, is that pension cheques for the elderly should be tax free. I would like to see the basic old age pension increased as quickly as possible to the stage where it catches up to the basic pension plus guaranteed income supplement. I believe in this field I am called a universalist. I believe that each and every senior citizen in Canada should be given sufficient income for a reasonable means of livelihood in their old age.

Those who were thrifty and frugal and invested in the government should be allowed to reap some of the benefits of the trust, misplaced though it may have been, which they placed in their government by buying such things as government annuities.

In order to help our pensioners at the present time old age pension cheques should be tax free. There are several precedents for that, one of which is well known. I refer to the war veterans disability pensions for disabilities caused as a result of war service. They are tax free. I do not feel there would be any insurmountable problems for old age pension cheques also to be tax free. It would be much more simple than the regulations we have at the present time whereby an old age pensioner needs a tax consultant to tell him whether he has too much money. The old age pensioner has already formed his own opinion in this regard.

Laudable though it may be to index an old age pensioner's cheque against the cost of living, it is not laudable to pick the standard consumer price index as the guide for that indexing. Most old age pensioners do not spend their money on consumer price index items. They spend it on food and accommodation. Incidentally, these are two of the highest components of the consumer price index, food in particular. All too frequently an old age pensioner finds he must put items back on the supermarket shelf because he cannot afford them.

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The cost of food has gone up 17.1 per cent in the last 12 months, yet the basic old age pension has gone up only 10.1 per cent. Surely that is an injustice that is obvious to the minister and to all hon. members in the House. Old age pensions should be indexed against food and shelter, not against the consumer price index.