

Income Tax Act

this is not the only thing we ought to be doing for our old age pensioners. I believe that the basic amount of the non-means test pension should be increased. I believe we will have to establish an escalator provision in the old age security pension based not just on the cost of living but on the rise in the standard of living. As a matter of fact, I still think it was a fundamental mistake when we wrote the cost of living escalator into the Old Age Security Act and did not at that time base the annual adjustment on the wage index, which reflects a little more accurately the rise in the standard of living.

So I might go on with things that I believe ought to be done for our old age pensioners. I also agree with the hon. member—perhaps I might be pardoned for saying I am glad to hear he agrees with me—that pensions generally, both public and private, must be put on a basis so that they go up after people retire, or our whole pension structure may fall to the ground.

Having said that, what is before us today in the hon. member's resolution is one simple proposition that I think the government ought to accept without any delay, namely, that the difference between pensioners 70 years of age and over and pensioners between 65 and 70 years of age, so far as their income tax exemption level is concerned, should be wiped out. I well recall when this extra \$500 exemption provision was presented to parliament. I was here then, as I was some years before that time. It was on May 18, 1948, when the Hon. Douglas Abbott, then minister of finance, made this statement as recorded in *Hansard* for that day, at page 4066:

In the field of personal income taxes, I am proposing one change of significance which will, I believe, be accepted with commendation on all sides of the house. Having in mind the large number of elderly people living on small fixed incomes, and out of consideration for the particular trials and increased expenditures that usually come with advancing years, I am proposing that an additional exemption of \$500 be granted to a taxpayer of 65 years of age or over. Many of these elderly people living on small pensions or other forms of fixed income with no opportunity to participate in the increased wages, salaries or profits enjoyed by other sections of the community, are particularly hard hit by the higher costs of living which present boom conditions have brought about. This group of our citizens is entitled, I think, to special consideration at this time.

Mr. Allmand: Hear, hear.

Mr. Knowles (Winnipeg North Centre): I say to our friend, Mr. Justice Douglas Abbott, who has gone to higher realms, well said in

[Mr. Knowles (Winnipeg North Centre).]

1948, and it still applies today. As hon. members know, this change was made at that time as a concession to those of us who were trying to get something done about the old age pension. We were trying to get the amount increased and the means test removed. The government had not yet seen its way clear to do what we were asking, so this was a bit of a concession. But even though it was presented in that spirit the statement made by Mr. Abbott was correct, and it applies today. The extra \$500 exemption at age 65 stayed that way from 1948 until 1965, when Mr. Pearson came into the house one day to announce something that we welcomed, namely, that the old age security pension was going to be made payable at age 65, although this was to be done step by step.

This was a change from a government plan which had proposed that if you took the pension at an age below 70 you had to take a smaller amount and stay with it for life. Mr. Pearson announced on February 17, 1965, that this plan had been scrapped and that the old age security pension would be at a fixed rate for all ages from 65 up, although it would take a few years to get to that point.

As so often happens here with an announcement that is most welcome, there was a little tail at the end of it, which was that the additional \$500 exemption which Mr. Abbott had granted in 1948 was going to be taken away from those people between 65 and 70 years of age while they were on the old age security pension. The record makes it clear that on that occasion, the very day on which Mr. Pearson made that announcement, I suggested that this was not the way to go about it at all, that if the government wanted to make a change the best way would be to increase the exemption for everybody to \$1,500 for single persons and \$3,000 for married persons, or whatever figure might be arrived at.

That is a brief history of the proposition, indicating why it was brought in in the first place and the way in which it was taken away from those between 65 and 70. But as the hon. member for Notre-Dame-de-Grâce has pointed out, the situation has now been reached where a great deal of suffering results from this plan. The hon. member pointed out, for example, what happens in the case of people who get both the old age security pension and the guaranteed income supplement. If they are over 70 years of age and that is all they have, they have no income tax to pay