

*Old Age Security Pensions*

recovered through taxation where the recipients also received income from other sources. In that way those individuals with little or no income other than the old age pension retain the full amount of the pension while those with higher incomes pay back a portion of the pension through taxation. Again, the proposal put forward by the hon. member would most benefit those pensioners with higher incomes.

I think it is implicit in the hon. member's motion that the persons who in fact rely entirely on the old age security pension are not likely to be paying income tax, and again we are faced with the anomaly of benefiting most those who need the help least if we exempt old age security pension payments from the income tax law.

Moreover, income in the form of an old age pension is used in the same way and has the same characteristics as other forms of income. It seems most equitable that taxpayers be taxed on the same basis when they are essentially in similar situations, even though their incomes may originate and may be derived from different types of sources.

The motion also proposes lowering the old age security pension age for women to 60 years. I appreciate that this motion was drafted almost a year ago, when perhaps it was policy to treat women somewhat differently from men, but again the hon. member might wish to reconsider this particular aspect of his motion in view of the militant behavior of the female wing of his party in recent days. They might not appreciate this break.

**An hon. Member:** Wait until they get on your back.

**Mr. Mahoney:** Well, perhaps money talks.

It is also proposed under the motion that the special \$500 deduction allowed to taxpayers of 70 years or more be made available to pensioners at age 65. In 1965 the eligible age for receipt of the old age security pension was reduced from age 70 to age 65. This important change added substantially to the cost of providing that pension. The government decided that, rather than impose new taxes, part of this additional expenditure would be off-set by withdrawal of the special \$500 deduction from those individuals under age 70 who received the old age pension. In this way again those most in need of the pension, because they had little or no other income, would receive the full benefit of the

[Mr. Mahoney.]

pension while those with higher incomes would pay back part of the pension through taxation. All new recipients of the pension, except those with very high incomes, were better off because of receipt of the pension even though they gave up the special \$500 deduction.

An individual who became eligible late in the year and so would receive the pension for only one or two months might find that loss or the \$500 deduction increased his tax by more than one or two month's pension payments. Such an individual could delay applying for the pension until the beginning of the following year and thus retain the \$500 deduction for the year in which he became eligible for the pension.

A deduction based on age is not a very logical or precise way to provide tax relief. Some individuals over age 65 or 70 have large incomes. The attainment of a certain age does not necessarily result in higher expenses or a reduced ability to pay income tax. A deduction of \$500 provides a much larger amount of tax deduction for a person with a high income than for a person with a low income.

**Mr. Benjamin:** Raise your rates then.

**Mr. Mahoney:** Unfortunately, the motion does not embody the proposition that rates be raised to make up the revenue and the need to create greater equity in the tax structure. The justification for this kind of deduction must be that it will exempt completely from tax a number of older people with low incomes for whom completing a tax form may be a cause of considerable trouble and worry. These difficulties are not likely to be nearly so prevalent at age 65 as they may be at some of the older ages.

The Carter Commission in its report recommended that the special \$500 deduction be withdrawn for all taxpayers. The white paper proposes that this deduction be continued for those who have reached age 70.

A great deal of time and talk have been devoted in the Finance Committee and the House of Commons to the white paper proposals, particularly to those dealing with personal income tax, revolving around the relative situations in Canada and the United States. Under the white paper proposals we would have a basic exemption for single status of \$1,400 and a basic exemption for married status of \$2,800, with additional deductions for each dependant under age 16