It is important to note that the purpose of the new rules is not to limit the pensions that employers can provide.

• (1630)

Rather, it is to limit the benefits that can be provided on a tax assisted basis. The limits will apply to all tax assisted plans in Canada. This means, for example, that modifications will be required to federal public sector pension plans, including plans for MPs and Senators to bring them in conformity with the tax assistance limits.

Second, the rules will eliminate opportunities to double up on the tax assistance limits. Under the existing rules individuals have been able to make additional contributions for years of past service even though full RRSP contributions have already been made or full pension benefits have already been credited in those years. The existing rules have permitted taxpayers to make excess contributions of hundreds of thousands of dollars in this way.

Third, an important part of the reform already implemented in 1988 eliminates opportunities for taxpayers to obtain full tax deferral benefits on saving outside RRSPs. This change addressed a weakness in the tax rules that permitted employees of non-taxable employers to contribute unlimited portions of salaries to plans that provided the same tax advantages as RRSPs.

Fourth, taxpayers with sufficient resources to enable them to defer receipt of their pension incomes have been able to generate pensions well above the pension limit by transferring pension income into an RRSP. For example, by rolling ten years of pension payments into an RRSP someone entitled to a maximum pension of $60,000 at age 60 could produce a pension of $120,000 at age 70.

All these loopholes chiefly favouring high-income taxpayers will be closed by the uniform limits and the codified rules that will be included in the Income Tax Act. The rules will require tighter accounting for pension contributions than in the past. Tax free transfers and rollovers that would effectively violate the new tax assistance limits will no longer be allowed. The proposed changes in tax assistance limits will be of particular benefit to the self-employed and to employees who are either outside employer sponsored plans or belong to plans with low-level benefits.

The changes will also benefit those whose plans cover only a part of their earnings or who have part-time jobs. Many Canadians, especially those starting out in employment or facing fluctuations in earnings for any reason, will find the seven-year carry-forward of unused RRSP contribution room a great advantage.

The federal revenue costs of the change in the RRSP limit is expected to be $300 million to $350 million a year. But this will be offset by gains from the removal of the excesses in the present system. The reform should not result in any net revenue costs for the federal or the provincial governments.

Employers will bear some additional costs for the accounting required to make the new system work. In view of the importance of retirement income security to Canadians and the significant revenue costs of tax assistance, the government believes that this burden is reasonable. Once the system is in operation the compliance costs will be only about one-sixth of one per cent of the total federal and provincial tax expenditures on assistance for retirement saving.

Since taxpayers will not improve their tax position by saving through one type of plan rather than another, their choice of plan will depend on questions of merit and suitability rather than the best way of minimizing taxes.

These changes crown a program of pension reform in which Canadians can take comfort and pride. They represent our Canadian belief both in sharing burdens for the common good and making sure that individuals have had the opportunity to look after themselves. The new system of limits on tax assistance for retirement saving is a step we must take so that Canadians can, with confidence, look forward to providing adequately for themselves in the years ahead.

I might say as I mentioned earlier that the committee in the House of Commons in 1983 made a report. Since then there has been a great deal of consultation on pension reform. This is a combination of that consultation. We believe that it is a very good bill. We believe that it is a thorough bill.

It is fair, it is flexible and we are hoping that we can get this bill to committee as expeditiously as possible. It is a technical bill, containing many, many pages. We are hoping that it will be examined in committee in great detail, so that we may assure ourselves in the House of