

The present system has been largely unchanged since 1976. The first recent attempt at major reform came in February 1984, when the Liberal government announced in-depth changes relating to RRSPs. The 1984 proposals, though eventually scrapped because of concerns about the administrative complexity of the new rules, were made to produce fairer tax treatment of pension plan members and to improve flexibility.

In May 1985 the new Conservative government called for fairer and more flexible tax assistance for retirement saving and reintroduced essentially the same proposals as the previous Liberal government.

There were some measures in the February 1986 budget that affected contributions to defined benefit plans and ceilings on some RRSP contributions. But the need for a major overhaul of tax assistance for retirement saving remained. Legislative measures were announced in October 1986, but with the white paper on tax reform of June 1987 these measures were temporarily halted. New reform proposals were introduced in March 1988. A one-year postponement of the implementation of the new tax provisions was announced in August 1988. In April 1989 the government announced that the new system would be put off until 1991.

● (1520)

On December 11, 1989, the minister published legislative provisions. Bill C-52, with its checkered history, contains essentially the same measures first proposed in October 1986; so we are back, I guess, to the Liberal initiative of 1984.

The existing system of tax assistance for retirement savings has three shortcomings: unfairness, inflexibility, and excesses. It is unfair because taxpayers in different situations receive different levels of tax assistance. It is inflexible because most taxpayers have no opportunity to make up for low savings levels in years past. It has excesses because poorly structured limits allow some high income tax payers to obtain unintended levels of assistance.

The proposed legislation addresses these shortcomings directly in three major ways. First, it proposes a uniform limit on tax assistance for retirement savings that will apply to all taxpayers, regardless of their employment and savings arrangements. The proposed limit is 18 per cent of earnings, to a dollar minimum. Second, it proposes a seven-year carry-forward provision for unused RRSP contribution room that will give individuals more flexibility in using tax assistance to save for their retirement. Third, it provides a variety of measures that will eliminate existing opportunities for higher income taxpayers to obtain excessive tax benefits.

Any tax expenditure program involves opportunity costs to government. Tax deferrals for current retirement savings plans are estimated to cost \$5 billion to \$6 billion in foregone federal tax revenues, and \$8 to \$9 billion when provincial revenue costs are included. Comparing the existing and proposed RRSP limits indicates an additional cost in terms of lost federal revenue of \$300 million to \$350 million for the fiscal year 1991-92. The government claims, however, that this increased cost will be offset by revenue savings from other

related measures. There will also be compliance costs to the business of an estimated \$60 million to \$70 million in startup costs and annual reporting costs of \$10 million to \$15 million.

Obviously, we must be concerned with these new costs. The government must see that they are held down, and that the legislation includes measures to improve control over costs and, additionally, to curb possible tax avoidance. The benefits of a fairer, more flexible program for the tax assistance of retirement savings appear to outweigh the costs.

Honourable senators, I have mentioned a great number of figures and dates. I hope that I have given honourable senators another view of the effects of this legislation and that you have gleaned from my remarks the gist and purpose of these amendments.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker *pro tempore*: Honourable senators, when shall this bill be read the third time?

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, Senator Doody and I have discussed whether the bill should go to the National Finance Committee or to the Banking, Trade and Commerce Committee. I suggested that perhaps he should speak to the chairman of the Banking, Trade and Commerce Committee, Senator Buckwold, because that committee might have a rather full plate.

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, the consensus is that the bill should go to the National Finance Committee. Senator Buckwold is quite uncertain at this point about the schedule of his committee.

On motion of Senator Doody, for Senator Asselin, bill referred to the Standing Senate Committee on National Finance.

ABORTION BILL

SECOND READING—ORDER STANDS

On the Order:

Resuming the debate on the motion of the Honourable Senator Doody, seconded by the Honourable Senator Atkins, for the second reading of the Bill C-43, An Act respecting abortion.—(*Honourable Senator Petten*).

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I suspect that Senator Petten would gladly yield if someone wished to speak on this order today. I am not suggesting that anyone must speak on it.

Order stands.

CANADIAN CENTRE FOR MANAGEMENT DEVELOPMENT BILL

SECOND READING

On the Order: