change to lessors through either an additional amendment to the Income Tax Act or, preferably, to redraft the entire clause in a technical bill which they will introduce in either January or February.

The Acting Speaker (Mr. Paproski): Is the House ready for the question?

Some Hon. Members: Question.

The Acting Speaker (Mr. Paproski): The question is on Motion No. 1. Is it the pleasure of the House to adopt the motion?

Some Hon. Members: Agreed.

Some Hon. Members: No.

The Acting Speaker (Mr. Paproski): All those in favour of the motion will please say yea.

Some Hon. Members: Yea.

The Acting Speaker (Mr. Paproski): All those opposed will please say nay.

Some Hon. Members: Nay.

The Acting Speaker (Mr. Paproski): In my opinion the nays have it.

And more than five members having risen:

The Acting Speaker (Mr. Paproski): Pursuant to Standing Order 76(8), the recorded division on the Motion No. 1 stands deferred.

Ms. Joy Langan (for Mr. Butland) moved:

Motion No. 2

That Bill C-28 be amended in Clause 18 by striking out lines 5 to 10 at page 24.

She said: Mr. Speaker, the reason for this change is to nullify the effect of the gross up. The gross up of a quarter on income earned from dividends has the effect of driving up many seniors' incomes solely for the purpose of income tax calculation, if they earn part of their retirement income through dividends. This means that even if they do not earn $50,000 a year, the threshold for the clawback, they will be pushed over this mark and, as a result, have part or all of their old age security taxed back.

The grossup was originally introduced in order to avoid the double taxation of dividends. Dividends are taxed both at the corporate level and at the individual level. By including the gross up in his or her income tax calculations, the individual taxpayer receives a tax credit to avoid being taxed at the individual level. This is not a problem until the introduction of the clawback which has the effect that I have just described.

Mr. Vic Althouse (Mackenzie): Mr. Speaker, I would just like to add to the words of our friend from Mission—Coquitlam. The whole concept of the gross up is to create some fictional income for purposes of income tax. The hon. member has correctly described what the reasoning behind it is. The idea was to avoid any perception of double taxation on dividends, and individual taxing on dividends would occur at a fairer level since some of those dividends had already had tax paid on them at the corporate level.

• (1020)

As the hon. member pointed out, what we have here is a situation where, assuming that the pensioner has retired with stocks which yield him or her something in the order of $40,000, with the 25 per cent gross up for reporting purposes that becomes $50,000, and suddenly the pensioner is in the position of losing the old age pension through the clawback. It was not real income, they still have the $40,000 to spend, but for a bookkeeping nicety they lose their pension income. That is the reasoning behind the proposed amendment. Once government members and backbenchers have a few moments to think about it, they will see that this particular clause ought to be deleted in the interest of fairness to pensioners.

Mr. John Manley (Ottawa South): Mr. Speaker, I have raised this matter of the dividend gross up a number of times in the context of questions to the minister in the House on the issue of the clawback. I am not sure that I agree with the amendment because I do not think it directs itself to the key issue. I think the amendment relating to the gross up in this context has to do with certain dividend rental arrangements that are provided for elsewhere in the amendments to the Income Tax Act contained in Bill C-28.

The point that my colleagues in the NDP are making with respect to the threshold and how it is calculated under the Income Tax Act for purposes of the clawback is an important one to make, that being that for the purposes of the clawback, which we will come to later on in the amendments, the threshold of $50,000 income is defined as income under Part I of the Income Tax Act.