

*Old Age Security Pensions*

endeavour to assure this comfort and dignity to the extent possible in our economy.

In recent years the government has introduced many measures specifically designed to provide benefits where they are most needed among this group. Examples of these measures are the laws providing for increases in the old age pension in accordance with increases in the cost of living; for the gradual reduction in the age of eligibility for this pension from 70 to 65; and for the guaranteed income supplement for those old age pensioners who have little or no income other than the pension. In addition, benefits are also provided under the Canada Assistance Act. By providing these selective measures rather than providing universal benefits to older persons, the government has been able to ensure the provision of benefits where they are most needed.

This motion was placed on the Order Paper about eleven days prior to the tabling in the House of Commons of the white paper proposals for tax reform, and I suppose it is somewhat appropriate that in a few minutes time we will be asked to revert to another order of business in order to receive the report of the House of Commons Standing Committee on Finance, Trade and Economic Affairs on the hearings that it has conducted over the period from January 15 to September 11 on the tax reform proposals. The proposals did anticipate to some extent the specific recommendation in the motion before us that income tax exemptions be increased.

● (5:10 p.m.)

Again relying on the exemption system, certainly no one could argue that we would not like to see higher exemptions. If the \$1,000 exemption for a single person was valid in 1949, then certainly the \$1,400 proposed in the white paper, or indeed the \$2,000 proposed in this motion, does not relate arithmetically to the increased cost of living in that 21 year period. But nevertheless there have been many other benefits extended to these people, many other opportunities for a fuller share in the economic well being of Canada, and we cannot simply relate, in terms of arithmetic, the exemption system to the increase in the cost of living over the years.

It is not clear from this motion whether it is intended that the exemption increase would be provided to all taxpayers or only to older taxpayers, although I gather from the spirit of the motion that we are talking about older taxpayers in this case. However, without offsetting changes in the rate schedule, it should

be noted that an exemption increase is of greater absolute value to those with higher incomes than to those with lower incomes because it frees from tax those dollars which are subject to the highest marginal rate of tax applicable to an individual's income. For example, under the present tax law taxpayers in Ontario with taxable incomes of \$1,000, \$7,000 and \$20,000 respectively would receive tax relief of \$150, \$268 and \$464 from an exemption increase of \$1,000. In other words, it would benefit those older citizens who are well off more than twice as much as it would benefit those with modest incomes. Further, it would not provide any benefit to those individuals who have insufficient income to be taxable.

The hon. member for Edmonton West (Mr. Lambert), who is sitting in the chamber, advocated the tax credit system to avoid this particular problem when he spoke during the hearings of the Finance Committee. Perhaps he will take part in this debate in order further to elaborate his views. We are faced with the anomaly of the exemption system benefitting those who need the help the least, and giving the most benefit to those who are relatively better off. The white paper proposals overcome this to some considerable extent by adjustment in the rate schedules.

The white paper proposal for exemption increases of \$400 for single taxpayers and \$800 for married taxpayers, as well as the offsetting changes in the rate schedule, will to a large extent offset the revenue loss involved in the exemption increase which is proposed. Certainly, without some considerably greater revision of the rate schedule than is contemplated under the white paper, the increase of exemptions to the extent recommended in this particular motion would result in a considerable drain on the treasury, one for which the government would be hard put to compensate.

Under the proposals, and bearing in mind the \$500 special deduction allowed to taxpayers of the age of 70 or more, the exemption increase proposed will ensure that these taxpayers will not pay tax unless the income of the individual taxpayer exceeds \$2,000 if he is taxed as a single person and \$3,400 if he is eligible to claim married status.

In the motion, it is also proposed that old age security pension payments be exempted from income tax. When the old age pension was introduced in 1952 it was decided that the pension should be universal with no means test, but that it should be partially