

*Income Tax*

saved and draws dividends is penalized for saving because he has to declare more revenue than he actually receives—one-third more as far as dividends are concerned—and he has to pay taxes on that extra income. I know this is not new in the bill, but it has been puzzling me for many years. I have received numerous complaints from people who say they refuse to sign the statement that they have received this income, because they have not received it.

I see the minister blinking, winking and sniggering, but this is one of those things that ministers do. People who have put a good deal of effort into laying aside money in order to earn an income when the moment comes to retire are now penalized for having done so. About a month ago I made a plea for those members of our society who are over 65. I made this plea for all members of our society who are still trying to save and are being taxed on income they are not receiving. There is a tax rebate, but it still does not bring the dividends down to the actual amount received by the bondholder or stockholder.

**Mr. Turner (Ottawa-Carleton):** The story behind this gross-up is a long one. The House went into it in great detail when we were discussing tax reform. In respect of income against which the tax rate is 40 per cent or less, the taxpayer in Canada who receives dividend income gets an advantage from the gross-up and that advantage encourages savings. The hon. gentleman ought to recall that the amount of the gross-up is also reflected in the tax credit against taxes.

**Mr. Munro (Esquimalt-Saanich):** It is reflected against what?

**Mr. Turner (Ottawa-Carleton):** The taxpayer gets a bigger tax credit because of the gross-up until his income reaches the stage where he would be paying at the 40 per cent rate. Until that point the gross-up is an advantage to him or her.

**Mr. Munro (Esquimalt-Saanich):** I must say that this baffles me. Perhaps my mathematics are not as good as those of officials of the Department of Finance. I will have to take the minister's word for it, because I do not follow this.

**Mr. Turner (Ottawa-Carleton):** I think the best thing I can do for the hon. gentleman is to send him a letter in which I will outline the gross-up provision. It has caused confusion, and I am sure I receive as many letters about it as the hon. member. I will set it forth in a letter.

**Mr. Munro (Esquimalt-Saanich):** I would be very happy if the minister would do that. I should like to ask one more question for clarification. Again, this relates to page 178 and the \$1,000. Let us take the hypothetical case of a person who spends up to the hilt of his income but has an income which is taxable. Can he claim the \$1,000 whether he saves or not?

**Mr. Turner (Ottawa-Carleton):** No; the exemption from taxable income is only in respect of interest or dividend income. The clause reads:

● (1650)

For the purpose of computing the taxable income for a taxation year of

[Mr. Munro (Esquimalt-Saanich).]

an individual . . . there may be deducted from his income for the year an amount equal to the lesser of

(a) \$1,000, and—

**Mr. Munro (Esquimalt-Saanich):** But that has been amended.

**Mr. Turner (Ottawa-Carleton):** In other words, you claim either \$1,000 of interest or dividend income or whatever your interest or dividend income was up to \$1,000. So it is only interest or dividend income.

**Mr. Andre:** You should have said "the lesser of".

**Mr. Turner (Ottawa-Carleton):** That is right. It is your actual interest or dividend income up to \$1,000.

**Mr. Munro (Esquimalt-Saanich):** I am sorry, but I found it very confusing to read, and I am sure that those of us who within the next month or two will be filling in our income tax forms will find it even more difficult. I have another question with regard to page 179, the recurrence of paragraph (2) in this case, and page 181, section 110.2. The recurring paragraph (2) again lists those elements which may not be included, such as, "For the purposes of this section, interest shall not include any amount," etc. Presumably the section is 110.1—or is it 110.2?

**Mr. Turner (Ottawa-Carleton):** On page 179 the section is 110.1.

**M. Munro (Esquimalt-Saanich):** It refers back? Are these the exclusions?

**Mr. Turner (Ottawa-Carleton):** That is right.

[Translation]

**Mr. Lessard:** Mr. Chairman, I would like to say a few words of thanks to the minister and express my satisfaction, and that of all my colleagues who made representations to him, and introduced the amendment which has just been moved and passed; this amendment will obviously be advantageous for a special group, for which I have a soft spot, the farmers, and of course the small investors.

I also wish to congratulate and thank the minister. The clause which authorizes an exemption of \$1,000 in investment income meets the request I have made repeatedly, not only to this minister but also to his predecessors in past years as well as to the right hon. Prime Minister. I am personally very happy to see that this is now becoming part of our legislation, and that Canadians will be encouraged to save for their old age, to take care of themselves.

However, I should like the minister to explain to the House what interpretation applies to credit unions, savings unions and other similar Quebec savings and investment groups: will their members be authorized to deduct the interest on their investments in these savings groups, under this new exemption?

**Mr. Turner (Ottawa-Carleton):** Yes, Mr. Chairman.

[English]

**Mr. Knowles (Winnipeg North Centre):** Mr. Chairman, first I should like to make a brief comment on the very