

Federal Sales Tax

to take part in the debate this evening, and I would like to start by stating that the tax relief with respect to sales tax requested by the Hon. Member in his motion is already in place. Furthermore, recent proposals of the Minister of Finance (Mr. Wilson) on tax reform will, as you know, Mr. Speaker, benefit the disabled, especially those on low incomes. Finally, since 1984, the present Conservative Government has made substantial improvements in programs designed for the disabled. Perhaps I may expand on each of these points in my response to the Hon. Member's motion.

The disabled presently enjoy a measure of tax relief in that certain products for their exclusive consumption are exempted from federal sales tax. To that end, a broad spectrum of medical goods for the exclusive use and sole benefit of the disabled is already exempt from federal sales tax. Such goods include, for instance, hearing aids, wheelchairs, artificial limbs, pharmaceutical products and all goods purchased by public hospitals or institutions for the use of the disabled. The list is much longer, but these examples should suffice to demonstrate that the disabled already enjoy a measure of tax relief.

However, the list itself already indicates a major problem inherent to the exemption method. As medical technology progresses, new equipment to help the disabled is developed and must be added to the list of tax exempt goods. This ad hoc method was criticized in the recently published document on federal sales tax reform because of its complexity and its arbitrary nature. As mentioned in the document, it is often hard to draw the line between what goods should be taxable and what goods should be exempt. For instance, Mr. Speaker, we have a court ruling on fluoridated toothpaste which, according to the Department should not be exempt and which according to the courts should be exempt because it has therapeutic benefits and should not be taxed as a cosmetic.

The fact remains that despite their shortcomings, exemptions are in place to provide tax relief from sales tax for the disabled. Furthermore, financial assistance is not restricted to sales tax exemptions. The disabled also receive assistance through the income tax system.

This disability deduction, which is \$2,890 in 1987, is available to individuals who are seriously incapacitated for an extended period. The disability deduction recognizes that a handicap implies fixed costs, and this is generally taken into account. The deduction is transferrable to the spouse or supporting parent. And as you know, Mr. Speaker, it benefits some 250,000 individuals who are seriously handicapped.

Medical expenses cover certain products and medical services and certain items designed to help the handicapped lead a normal life. Generally, those items are clearly identified as reserved to the exclusive use of the handicapped individuals. The expenses include allowable medical expenses incurred by the taxpayer or a spouse on behalf of a dependent handicapped individual where the amount is more than 3 per cent of the

taxpayer's net income. In 1985, some 4.4 million taxpayers claimed such expenses, for a total of about \$2 billion.

On the occasion of tax reform, the needs of the handicapped have not been overlooked, quite the opposite. For that reason, tax reform will bring significant benefits to the handicapped. Generally speaking, by converting deductions to credits we are able to direct increased help to low-income taxpayers. Since the handicapped in general are low-income people, they will benefit significantly from that provision.

In the case of the disability deduction, it is proposed not only that the deduction be converted to a credit, but also that the tax benefit be significantly increased. The conversion from a deduction to a tax credit meets the main concerns of handicapped groups concerning the deduction. The tax benefit provided by a deduction favours higher income taxpayers, even though low-income handicapped people, who have greater need of tax assistance, may have incurred equivalent expenses. The \$2,890 disability deduction is being converted to a \$491 tax credit for a 17 per cent tax rate. However, it is proposed to set that rate at \$550. The unused part of the credit will be transferrable to the handicapped person's spouse or supporting parent or grandparent. That improvement helps handicapped individuals buy the goods and services they need by reason of their handicap, and is the second similar improvement in two years. In 1986, the deduction was increased by \$250.

The second major component of tax relief granted to the disabled, the deduction for medical expenses, has also been converted into a tax credit for expenses in excess of three per cent of net income. On the whole, the tax reform has solved one of the problems of providing tax relief for the disabled: the regressive distribution of benefits under the present system. The new disability credit provides the same tax relief for all disabled persons, whatever their income. The credit has also been increased to provide a greater measure of tax relief to all persons benefitting under the system.

Mr. Speaker, I would also like to draw the attention of Hon. Members to the many measures that have been introduced since 1984 to benefit the disabled. The most important measure is undoubtedly the decision to expand the definition of a disabled person, effective as of the 1986 tax year. All taxpayers with a serious disability are now entitled to claim the deduction, and, of course, to take advantage of the improved disability credit in 1988. This is a break with the previous, more restrictive definition under which the disability deduction was granted only to the blind or to persons who were bedridden or confined to a wheelchair. By expanding the definition, tax relief can be granted to 180,000 more disabled persons or their spouse or parent or grandparent who provides for their care; in 1988, Mr. Speaker, it is expected that 250,000 persons will be able to take advantage of this provision.

Furthermore, as of the 1987 tax year, which is this year, Mr. Speaker, the list of goods eligible under the heading of medical expenses has been expanded to include: van conversion accessories enabling persons confined to a wheelchair to enter