

Income Tax Act

mation circular 72-13R4 which stipulates that normal retirement age under a pension plan should not be earlier than age 60 but allows for payment of pensions at an earlier date under certain circumstances. These circumstances include retirement at age 55 after 25 years of service or retirement after 30 years of service regardless of age. Can the minister distinguish why, in the case of the information circular to which I have referred, it is permissible to have these plans with regard to people who wish to retire before age 60, but under the registered retirement savings plans arbitrarily the minimum age is 60?

● (2132)

[Translation]

Mr. Chrétien: Mr. Chairman, as I said earlier about the last proposal made by the hon. member, he is alluding to the age of 60. Of course, as concerns pension plans, we have provided more flexibility to allow those who have now reached 60 to benefit from the plans in certain circumstances for various reasons. But as regards the plans called RRSPs, we have set the minimum age at 60 for the reason that I have mentioned on several occasions in committee. More and more these plans are being considered not as savings plans which provide you with money for your retirement, but as plans which enable you to avoid paying normal taxes throughout the years. You have only to read the advertisements in the newspapers or the propaganda made by those who sell pension plans. They very rarely mention pensions, and very often they talk mostly of the pension plans as a means to avoid paying income tax. This is one of the problems that we want to avoid. We must not forget the purpose of this type of plan which is to save money for one's retirement. If we let people get too far away from this purpose, one day our program will finally be considered by the public as strictly a means to avoid paying normal income taxes. This is one of the problems which we must always face in such programs. We must ensure that the main purpose is not lost in the evolution of such plans because people could finally so much abuse what is good for other purposes that the whole program would have to be eliminated in the end because it would no longer meet the original objectives.

In the circumstances, we must be very cautious, and I believe that we have been wise to choose the age of 60 in the case of RRSPs. If we discover that this is too restrictive, we can always change the program, but I cannot see why it would not be important to come back to the purpose for which this program was created and set the minimum age at 60.

[English]

Mr. Stevens: I understand what the minister is saying, that presumably at some stage a plan should be subject to equitable tax. The minister is not consistent. In private pension plans, which have the advantage of tax deferral, Revenue Canada is willing to allow those plans to be operative, in the case of a person working for 30 years, at any age, and in the case of a person working for 25 years, at 55 years of age. Notwithstand-

ing the fact that it is acceptable to allow those plans to be operative at ages lower than 60, why is the department arbitrarily harsh in respect of those who have participated in RRSPs?

Mr. Chrétien: There is no flexibility in pension plans as there is in RRSPs. A person can withdraw any portion of his RRSP before age 60, whenever he requires the money. It is not a question of the funds being locked in.

Mr. Stevens: At which point he is required to pay the tax.

Mr. Chrétien: For example, if a person has accumulated \$100,000, in RRSPs, at any time when he needs money, he can arrange to take \$5,000 out of the plan if he wants. He can pay tax any year he wants at that level, and he is taxed according to his income in that year. It is normal, for we must remember that he was not taxed in the first place.

As I explained earlier, the purpose of this scheme was to make funds available at the time of retirement. If a person withdraws any portion of it at age 50, he must pay taxes according to his income at that time. That is fair, because at the time his money was put into the RRSP he was not required to pay tax on it.

RRSPs are designed for retirement purposes. Before the age of 60, a person has a lot of flexibility in his plan. He can withdraw the money or any portion of it. But that is not the case under pension plans.

Mr. Stevens: Mr. Chairman, I should like to emphasize that pension plans can be discontinued. My third example is the case of employee profit-sharing plans. Revenue Canada issued Information Circular 71-1R. It requires simply that the normal retirement age for payment of benefits be defined in the plan, but that no minimum age is required. In these three very relevant examples, why is the department willing to be flexible as to the operative age, whereas under RRSPs arbitrarily the minimum age is 60?

I would like to mention a few very brief examples of genuine hardship which will result for people who are counting on the proceeds from registered retirement savings plans. They will not be able to participate because of the arbitrary 60-year figure which the minister has come up with.

Mr. Chrétien: The hon. member must understand that between the ages of 60 and 71 a person can transfer his RRSP into an RRIF.

Mr. Stevens: I am dealing with under age 60.

Mr. Chrétien: Under 60 a person can withdraw any portion of his RRSP, but it cannot be transferred to an RRIF. He can use that money in order to pay his taxes or do whatever he wants. It was necessary to have a minimum age for a person wanting to transfer his RRSPs into RRIFs.

The purpose of RRIF is to ensure, when a person reaches retirement, that he is not forced to take all his RRSP savings and pay his taxes in one shot, and to ensure that he is not