

This view was reiterated by Mr. Gaston Garceau, Dominion President, Royal Canadian Legion. "With the reduction of the real income level at which the tax kicks in, more seniors will have to pay more money. Perhaps not coincidentally, the number of seniors will be increasing as Canada's population ages collectively. In a little more than a decade, a very large number of seniors will be caught in the net and will be required to return their Old Age Security, at ever decreasing thresholds."(24:25)

In his appearance before the Committee the Minister of State for Finance, the Honourable Gilles Loiselle, stated that the \$50,000 threshold, "...indexed on the same basis as other elements of the tax system - will be reviewed periodically to ensure that it remains at an appropriate level."(21:7)

The Government's assurance that the level of the threshold will be reviewed periodically and adjusted did not reassure most witnesses. Mr. Daryl Bean of the Public Service Alliance stated that he would feel a lot more comfortable if provision for raising the threshold at the rate of inflation were contained in the legislation. Representatives from the Public Service Alliance and the Professional Institute of the Public Service of Canada expressed concern that a change in government or in financial circumstances could, in a later period, affect the commitment to adjust the threshold.

The Committee has no reason to doubt the Government's assurance that it intends to adjust the clawback threshold. At the same time, given the high degree of uncertainty and apprehension expressed by witnesses, a strong argument can be made for providing full indexation of the threshold in the legislation. It seems to the Committee that if the Government truly intends to protect the value of old age pensions and family allowances, the most obvious method is by statutory provision in the legislation. Assuming that the threshold would be adjusted anyway, this would not affect the Government's fiscal position. However, it would reduce uncertainty, particularly among old age pensioners, who are clearly apprehensive about the possible future erosion of benefits.

Therefore, the Committee recommends that Bill C-28 index at the annual rate of inflation the income threshold at which family allowance and old age security receipts become subject to the social benefits reduction tax.