

Old Age Security Act Amendment

course it is following is entirely a correct and apt one. However, the government of the province of Quebec, following in the footsteps of its predecessor and also the incitement given by the Prime Minister and members of the government to the opting out concept, has declared its intention to establish its own system. We want to know what you are going to do about it. This is not a matter for next month or next year; it is not being postponed until July 1, 1968. This legislation is to come into effect immediately and, that being so, we are most anxious to know how this abstruse proposition is going to be met by a government noted for its diplomatic approach to problems and its failure to face up to those problems.

I am sure many thousands of people will await with tense interest the explanation of the minister. It is something that will tax the capacity of the government. That is about the only thing which has been left untaxed by this government, and we will get more taxes tonight. How are you going to do this? You collect the money through taxation, and the rumours are that all this government will be able to do will be to increase the income tax of those who have incomes of \$6,000 or over. My friend moves his head in a negative manner. What are you going to do about this matter? When you collect the money how are you going to distribute it? You cannot force any province to accept something which constitutionally falls within the ambit of its authority.

I do not wish to detain the minister. It may be that he is not ready to reply and would like to stand this question along with the others until he is able to secure information.

Mr. MacEachen: Mr. Chairman, I promised the hon. member for Winnipeg South Centre, and I repeat the promise to the Leader of the Opposition, that I will make some comments on the issues which have been raised. I am sure they will be inadequate to meet the much more experienced constitutional mind of the Leader of the Opposition. I am an amateur in this field but I will try later to make some comments.

Mr. Diefenbaker: Why not now?

Mr. MacEachen: There has been an agreement that we rise until eight o'clock. Otherwise I should be quite happy to remain until eight o'clock to discuss the matter. At eight o'clock we have the budget and when that is completed we will return to this order. I

[Mr. Diefenbaker.]

should like to make the point that the committee has concluded its discussion of proposed section 23 and therefore we will have to discuss this point and the other two points which remain on the title.

Progress reported.

Mr. McIlraith: Eight o'clock.

Mr. Deputy Speaker: Am I to take it that there is agreement to suspend the sitting until eight o'clock?

Some hon. Members: Agreed.

SITTING SUSPENDED

SITTING RESUMED

The house resumed at 8 p.m.

THE BUDGET**ADDITIONAL FINANCIAL MEASURES OF THE MINISTER OF FINANCE**

Hon. Mitchell Sharp (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, this is not intended to be a full-fledged budget statement with the usual details of our finances and of the economic situation. I shall take the opportunity for a brief interim review of our fiscal position and its relation to the economic situation, but my main purpose tonight is to place before the house proposals for financing the guaranteed income supplement for those receiving old age security pensions. We shall be having to pay out about another \$280 million a year for this purpose, commencing as soon as possible after January 1st, and I shall propose that we raise additional revenues of about that amount for budget and economic reasons.

In July, at the time of the announcement of the guaranteed income supplement, it was made clear that the government intended to cover the cost by additions to revenue. On September 8th, as the house will recall, I stated:

It was indicated in July that revenue measures would have to be considered to meet the burden of the income guarantee program. I have reached the conclusion that when this program is enacted it will be necessary to increase taxes or to introduce new taxes to meet our total requirements and to prevent the government's own increasing expenditures from having inflationary effects.

In the last two completed fiscal years, 1964-65 and 1965-66, that is, the two years ended 1966, our budgets have been very close to a balance in terms of our public accounts—there have been deficits amounting to only about one half of one per cent of our revenues. Looking at the position from a somewhat different point of view, that is, the overall economic effect of the federal government's receipts and disbursements, what the economists refer to as the national income accounts, there were surpluses of some \$300 million in 1964-65 and about \$600 million in 1965-66. These surpluses, in economic terms, have been helpful in pacing our economic expansion and in providing some of the savings required to finance the high level of investment needed for our rapidly growing economy.

Current Year Figures

In the current fiscal year I now forecast that our budgetary revenues before the tax changes I shall propose would be approximately \$8,240 million compared with \$8,300 million forecast in the budget last March. The reduction is chiefly due to corporate profits turning out to be less than expected, with the taxes thereon correspondingly reduced. In addition of course, the forecasts now reflect the effects of additional income tax abatements granted in favour of the provinces effective January 1st. I expect that our expenditures will be about \$8,580 million compared with \$8,450 million forecast in the budget last March. The increases here are spread over a large variety of programs and reflect in considerable part the increased levels of pay and prices. These forecasts of revenues and expenditures would leave us with a budgetary deficit of approximately \$340 million compared with the budget forecast of \$150 million. Our surplus in terms of the national economic accounts I would forecast at roughly \$140 million compared with the budget forecast of \$455 million. The refundable tax on cash profits is excluded from both of these figures.

• (8:10 p.m.)

Our net financing requirements for non-budgetary transactions, before tax changes and excluding transactions in our own debt, I estimate to be \$342 million compared with \$190 million at the time of the budget, taking into account the refundable tax. Members of the house will recall that in my last budget speech I said that it was not my intention to

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disburse the funds received from the refundable tax but to hold them as an addition to cash balances unless economic circumstances were to change and make it desirable for us to borrow less and ease the pressure on the capital market. This is still my intention. The possibility cannot be excluded of course, that our requirements will make it necessary for the government to borrow extra funds in the market before the end of the fiscal year.

Prospects for 1967-68

I do not propose at this time to forecast the budget for the next fiscal year. That will be done in the spring as usual. Our expenditure programs are still being worked out by the Treasury Board. It is still too early to forecast the economic position with enough accuracy and confidence to estimate our revenues. It is already evident, however, that our expenditures will continue to rise next year quite apart from the guaranteed income supplement. We have already taken on two major commitments in increased equalization payments to the provinces and substantially increased assistance for higher education. We have many large and important programs which are expanding, such as those for scientific research and development, and those for foreign aid. These are worthy projects supported strongly in this house and by the public. Having said this, I want to repeat what I said in this house on September 8th and on other occasions, that we must moderate the rate of increase in new public expenditures. Neither the capacity nor the willingness of Canadians to pay higher taxes should be taken for granted.

On the revenue side the situation in the next year is complicated by our relations and arrangements with the provinces. Already we have undertaken to recommend to parliament a further abatement of our income taxes—personal and corporate—next year in order to make more room for the provinces to increase such taxes to meet the rapidly rising costs of higher education including technical education. The income tax bill, which I plan to introduce before the recess to implement the portions of the March budget resolutions not dealt with in the bill passed in July, will contain clauses to provide for these abatements. In view of the discussion in the committee last Friday, I might also mention at this time that we had put in this bill a specific provision exempting from tax social assistance payments based on needs or means, and made under either federal or provincial legislation.

*The Budget—Mr. Sharp*Economic Situation

When I reviewed the economic situation in September, I thought that it might be necessary to increase our revenues in order to counteract the increase in some of our other expenditures this year, and to make possible some relaxation in monetary restraint. Developments in the past three months, however, suggest to me that the undesirable acceleration of the demands upon our economy has moderated. There has been some economic readjustment taking place following the excessive rates of expansion that occurred earlier this year. The effects of a large number of strikes have also been appearing in the statistics. My judgment is that the economic expansion now taking place is more in line with the capability of our economy to grow steadily without inflation. While prices and wages are increasing at rates that are still excessive, I now believe we can expect some moderation in the trend of wage increases and further restraint in pricing policies. Our current position is one of delicate balance and we want to ensure that our economic policies do not contribute either to a serious decline in 1967 or to a re-emergence of strong inflationary pressures as we attempt to adjust to a sustained rate of economic growth.

The Canadian economic outlook for 1967 cannot be fully assessed as yet. We do not yet know enough of the capital spending plans of business or of provinces and municipalities. I believe, however, the rate of increase in such capital expenditures will be less than in the past two years, and should be a closer match to our growing capacity. Moreover, our exports, and our general business behaviour, are much influenced by the economic situation in the United States and that is unusually difficult to foresee this December. Within a few weeks we will know much more of United States policy in regard to defence expenditures and the fiscal measures likely to be proposed to deal with them. We will be in a much better position in several months to appraise our outlook and take promptly such action as may be necessary. Should some relaxation of restraint be needed there will be no difficulty in moving quickly in either the monetary or fiscal field or both. For example, the government will not hesitate to bring before parliament at short notice a measure to end the collection of the refundable tax on business profits or even to make reductions in taxes if that is necessary to achieve a proper fiscal policy for economic reasons. I believe,

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and in this my views are shared by the governor of the Bank of Canada, that the appropriate mix of policies in such circumstances would be one which permitted some easing of the credit situation.

On the other hand, in 1967 we cannot be expected to permit a degree of expansion of the total demands on the economy that would encourage or endorse further increases in wages and prices at the rates that have been occurring during 1966. If some moderation in demands with inflationary consequences does not occur we may well find it necessary to impose sufficient fiscal restraint upon the economy as a whole to check them. At this time, I am very happy to say, it does not appear such further action will be necessary, and I certainly hope it will not be.

General Policy

Consequently, I am not proposing tonight any general changes in taxation for the purpose either of stimulating or of applying further restraints to the economy. The measures proposed are intended only to counterbalance, financially and economically, the expenditures on the guaranteed income supplement with a small margin to allow for the fact that the payments we make to the old age pensioners are sure to be spent while some of the revenues we get will come out of savings. Given our present economic and budgetary situation, I believe this neutral action to be about right.

To raise all the revenues that are required by all governments in Canada—about \$18 billion a year currently—requires a large variety of taxes and charges. We can count on a growth in these revenues as our economy grows and prospers but the rate of real growth in the economy is limited by the growth in our labour force and the improvement in its use and productivity. It is all too easy to anticipate the growth in our revenues and to commit ourselves to spending programs that outrun it. The consequence of over-running it, which those who elect us and make demands on us must face, is that we must raise by increased taxes for public purposes or for redistribution of income an increasing fraction of our total national product. It is because we are in that position that tonight we are asking the Canadian public to accept increased taxes in order that we may distribute more to our old age pensioners with low incomes.

• (8:20 p.m.)

Old Age Security Fund

I turn now to the tax measures I am proposing—two increases in existing taxes. The first

is an increase in one of the taxes under the Old Age Security Act, which will increase the revenues of the old age security fund. Let me first explain the situation of that fund and the policy I propose in regard to it.

When the Old Age Security Act was passed late in 1951 it set up this fund to which were to be credited the revenues from certain specified taxes levied under that act, and which were regarded at the time as essentially contributions for the financing of the pensions authorized by the act. While individual pensions were not related to the taxes or contributions paid by the pensioner, it was felt the aggregate pensions should be related to the revenues of the fund. This was intended to be a means of ensuring the proper financing of the pensions and of ensuring a sense of responsibility in determining from time to time how much the pensions ought to be. The Minister of Finance is required to review an-

nually the state of the fund and to recommend measures to increase the revenues of the fund if it appears the revenues for the ensuing year will not be sufficient to meet the charges on the fund without further loans from the consolidated revenue fund.

I would ask permission of the house to insert here in *Hansard*, for the convenience of hon. members, a table showing for each fiscal year since the act was passed the pension payments made from the fund, the revenues credited to it for each of the three taxes levied under the act, and finally the deficit or surplus for the year, with footnotes indicating how these deficits were dealt with.

Mr. Speaker: Is it agreed?

Some hon. Members: Agreed.

[*Editor's note: The table referred to is as follows:*]

TABLE 1
OPERATION OF OLD AGE SECURITY FUND, FISCAL YEARS ENDED
MARCH 31, 1952 TO MARCH 31, 1967
(\$ millions)

Year	Pension Payments	Tax Revenues				Annual Surplus (+) or Deficit (-)
		Sales	Corporation Income	Individual Income	Total	
1951-52 ⁽¹⁾	76	24	2	0.1	26	- 50 ⁽³⁾
1952-53	323	142	37	45	224	- 99 ⁽⁴⁾
1953-54	339	147	56	91	294	- 46 ⁽³⁾
1954-55	353	143	46	101	290	- 63 ⁽³⁾
1955-56	366	160	53	102	315	- 50 ⁽³⁾
1956-57	379	179	67	125	371	- 8 ⁽³⁾
1957-58	474	176	61	135	372	- 102 ⁽³⁾
1958-59	559	174	55	146	375	- 184 ⁽³⁾
1959-60	575	270	91	186	547	- 28 ⁽³⁾
1960-61	592	270	104	229	603	+ 11
1961-62	625	285	100	259	644	+ 29
1962-63	734	302	115	274	691	- 43 ⁽⁵⁾
1963-64	808	332	116	303	751	- 58 ⁽⁵⁾
1964-65	885	383	145	432	960	+ 75
1965-66	927	522	152	495	1,169	+ 242
1966-67 ⁽²⁾	1,031	561	153	552	1,266	+ 235

⁽¹⁾Program commenced January 1952.

⁽²⁾Estimated (excluding the guaranteed income supplement and tax change).

⁽³⁾Provided for by budgetary expenditure.

⁽⁴⁾Written off against reserve for losses on realization of assets.

⁽⁵⁾Financed by loan which has been repaid out of subsequent surpluses shown in this table.

Mr. Sharp: It will be noted that during the first eight fiscal years of its operations, the fund incurred deficits amounting in all to \$602

million. These were met out of general revenues, or in one case charged to the reserve against losses on realization of assets, which

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amounts to much the same except for accounting purposes. Hon. Donald Fleming, in his budget of April, 1959, concerned over these increasing deficits taken in conjunction with the recent increases in pension rates, increased the rates of all three old age security taxes from 2 per cent to 3 per cent, which brought about a rough balance in the fund for the next three years. Increasing deficits then occurred, accelerated by the increase in pensions early in 1962. They were financed by temporary loans from the consolidated revenue fund. When the rate of the pension was increased to the present level in the autumn of 1963 the rate of contribution from the tax on personal incomes was raised from 3 per cent to 4 per cent effective January, 1964. This, together with the removal of exemptions from the sales tax and the effects on revenues of increasing incomes and sales, brought in sufficient revenue to produce surpluses in the fund during the past two fiscal years, and this year as well. These have resulted in the repayment of the temporary loans made to the fund in the preceding two years and the accumulation of a credit balance of \$217 million at the end of the last fiscal year, and of \$353 million at the end of October. This surplus is much less, it will be noted, than the total deficits in the fund in the 1950's that were not carried forward but written off. Over the whole period of the fund up to this October, the expenditures have exceeded the revenues by \$238 million.

Parliament has recently imposed large additional future burdens on the fund by providing that the age at which payment of pensions will commence will be reduced year by year starting in January, 1966 until it reaches age 65 in January, 1970. Even after taking account of the growing revenues of the fund, the increasing pensions would exceed the annual revenues in the fiscal year 1970-71, when the full effects of the age reduction are first felt. Addition of the guaranteed income supplement, however, would immediately bring the pensions in the next fiscal year 1967-68 above the revenues anticipated from the present taxes, and this annual deficit would grow rapidly. It would use up the accounting surplus in the fund by mid-1969 and produce an annual deficit of nearly \$400 million in the fund by the time the age reduction already in the law takes full effect.

Such is the situation in terms of this particular account. When we consider the economic and financial effects of old age security payments, however, we must look not to the position in a single account but to total cash

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flows. In introducing the guaranteed income supplement we are adding \$280 million a year to our cash outflow, and this must somehow be matched by increased cash revenues if we are to avoid increasing our cash deficit with all its financial and economic consequences. The accumulated surplus of the old age security account is not held in a separate cash balance. The cash received and credited to this account is and always has been pooled in the consolidated revenue fund into which parliament requires all revenues to be paid and from which the payments authorized by parliament are made. If parliament increases the payments out of this consolidated revenue fund, it must replenish the fund with revenues, or the government has to borrow more to finance the deficit. Given the present and prospective economic situation I do not think that we should finance this large increased cash outflow by increased borrowing. If the economic situation should develop in a way that makes it desirable to reduce our cash inflow from taxes, and borrow more, we can quickly take action to do this. But we should not use the possibility of such a contingency as an excuse for taking the soft option and dodging a difficult issue.

Old Age Security Tax On Income

I am proposing therefore that we act to meet our immediate cash requirements and also to provide properly in our accounts for the burdens which parliament has imposed and is now imposing on the old age security fund during the next four years while the age reduction program is coming fully into effect. The first measure I recommend to the house, therefore, is that we raise the maximum amount payable by an individual on the 4 per cent tax on personal income under the Old Age Security Act, from \$120 per year, as it has been for the past three years, to \$240 per year. This would yield about \$135 million a year at current income levels. It would be effective from January 1st but since deduction at the source cannot start immediately, relatively little will appear in this fiscal year's accounts. The forecast effects of this change on the future years' accounts of the old age security fund are shown in a table which I would ask permission to place in *Hansard* at this point for the assistance of hon. members.

Mr. Speaker: Is it agreed?

Some hon. Members: Agreed.

[*Editor's note: The table referred to is as follows:*]

TABLE 2
ESTIMATED POSITION OF O.A.S. FUND, 1965-66 TO 1971-72
(\$ millions)

Minimum Eligible Age	Fiscal Year	O.A.S. Pension Payments	Revenue from Present Taxes	Difference Col. (2) - Col. (1)	G.I.S. ⁽¹⁾ Payments	Difference Col. (3) - Col. (4)	Revenue ⁽²⁾ from 1966 Change	Combined Revenues Col. (2) + Col. (6)	Combined Payments Col. (1) + Col. (4)	Annual Surplus or Deficit Col. (7) - Col. (8)	Balance in account at end of year ⁽³⁾
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jan. 1, 1966 Age 69.....	1965-66	927	1,169	+242	—	+242	—	1,169	927	+242	+217
Jan. 1, 1967 Age 68.....	1966-67	1,031	1,266	+235	70	+165	9	1,275	1,101	+174	+391
Jan. 1, 1968 Age 67.....	1967-68	1,146	1,381	+235	286	- 51	137	1,518	1,432	+ 86	+477
Jan. 1, 1969 Age 66.....	1968-69	1,296	1,427	+131	318	-187	147	1,574	1,614	- 40	+437
Jan. 1, 1970 Age 65.....	1969-70	1,464	1,505	+ 41	346	-305	157	1,662	1,810	-148	+289
Age 65.....	1970-71	1,619	1,590	- 29	367	-396	168	1,758	1,986	-228	+ 61
Age 65.....	1971-72	1,689	1,687	- 2	363	-365	180	1,867	2,052	-185	-124

⁽¹⁾ Represents estimated payments in respect of each fiscal year.

⁽²⁾ Assumes new tax deduction tables can be put into effect on Feb. 1, 1967.

⁽³⁾ Deficit of \$25 million at March 31, 1965.

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Mr. Sharp: It will be seen that with this increased maximum tax the requirements of the fund, to which the law directs our attention, are met until the end of the 1970-71 fiscal year, the first full year after the age reduction program is complete. By that time parliament will have had ample opportunity to review our whole tax structure and decide what should be done not only with this element of our taxes but with the old age security fund generally.

This tax change will affect only those taxpayers with taxable income exceeding \$3,000 after all exemptions and deductions. This means that a married taxpayer with two children will not have any increase unless he is earning more than \$5,700 a year—which is well above current average wage earnings. The proposed tax increase will affect only the upper third of present income taxpayers.

Some hon. Members: Hear, hear.

Mr. Graftey: The Liberal party is the only party in history that can applaud a tax raise.

Mr. Speaker: Order, please.

Mr. Sharp: I continue.

Addition to General Revenues

The second tax change I am recommending is intended to add to our general revenues to provide the remaining cash required to pay the guaranteed income supplement.

The choice of the tax to increase for this purpose is a difficult one. Normally one would look to our regular personal income tax because, being progressive, it is one of our fairest taxes. However, we share this tax field with the provinces. We have emphasized to them in recent months that they have access to this field of taxation just as we do and must share responsibility for its use. We are proposing, as I have said, to abate our income tax for 1967 to make it easier for the provinces to raise theirs in order to help finance the rapidly growing burden of higher education. We will want to discuss with the provinces in the coming year or two various ideas proposed to reform the income tax so that we may achieve as much harmony as possible in our use of this most important tax field.

• (8:30 p.m.)

In these circumstances and having in mind the impending major overhaul of our tax system which we will undertake in the light of the report of the Royal Commission on Taxation, I have come to the conclusion that we should not use the personal income tax to

[Mr. Sharp.]

raise the additional funds we need now. We must, at this time, as the provinces frequently have to do, rely upon other taxes to meet our increasing burdens.

In making the choice of taxes we must also keep in mind that the corporate income tax in Canada cannot get seriously out of line with that in the United States without endangering our competitive position. Already our competitive position is being weakened by recent increases in costs.

Sales Tax

I have come to the conclusion, therefore, that we should obtain the revenue we need by adding one per cent to our general sales tax, making it 12 per cent in total, instead of 11 per cent, with two exceptions.

Some hon. Members: Oh, oh.

Mr. Bell (Carleton): Shame, shame. You will never get away with it, never.

Some hon. Members: Oh, oh.

Mr. Speaker: Order, please.

Mr. Sharp: The only comment I wish to make, Mr. Speaker, is that if we had followed the advice of members on the other side of the house it would have led to much greater taxation increases.

Some hon. Members: Hear, hear.

Mr. Sharp: I hope that hon. members realize that the government in this respect is being responsible not only with respect to its expenditures but also with respect to its taxes.

Mr. Graftey: I have always admired the minister's modesty.

Mr. Sharp: This will be done by amending the Excise Tax Act. I propose that this change take place January 1st so there will be no danger of confusion or price increases arising from it during this Christmas period. The foreknowledge of an increase as small as this for this short period should have no significant economic effects. The revenue authorities will be careful to ensure that sales which are properly taxable after January 1st are not attributed by some artificial action to the period between now and then.

Last spring, we decided that the sales tax should be removed from production machinery and equipment in two steps, one in April, 1967 and one in April, 1968. It is proposed that the one per cent increase in the tax now being made should not apply to these goods

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for the three months before the changes now in the law come into effect.

I am also proposing that the increase in the sales tax should not apply to building materials. The government wishes to see more houses built in 1967. The competition of other demands for capital funds this past year has brought about a serious reduction in mortgage lending for the building of houses and particularly of apartment houses. Unless this trend is reversed it will lead to shortages of housing and increased rents. The government is pressing ahead with action under the National Housing Act, as recently amended, to help meet this situation. Most of the houses needed, however, must be financed and built by private enterprise, subject to market forces. We would not wish an increase in the sales tax to impede an expansion of house building at this time.

Mr. Bell (Carleton): But everything else. Everything else.

Mr. Sharp: I suggest again to my hon. friend who is interrupting that the expenditures he proposed would have compelled me to raise taxes—

Some hon. Members: Oh, oh.

Mr. Sharp: The indignation of my hon. friend is greatly misplaced.

Mr. Crouse: Why throw it on the Conservatives?

Mr. Speaker: Order, please.

Mr. Bell (Saint John-Albert): Live with Mitch. Sing along with Mitch.

Mr. Speaker: Order please.

Mr. Sharp: The yield of this increase in the sales tax at the current level of sales and prices my department estimates to be approximately \$155 million a year, taking the exemptions into account. It should add about \$20 million to this year's revenue.

We shall wish to reform our sales tax as well as our other taxes over the next few years. I recognize, just as I am sure all members of this house recognize, that any sales tax cannot fully take into account ability to pay, although our tax, which exempts food, fuel and services, is better than many. Over a fairly wide income range it is proportional or mildly progressive in its incidence. Taken in conjunction with our progressive income tax, and the heavy taxes on certain items such as liquor, it produces an over-all result which is

reasonable. We will examine this over-all result in revising our tax structure and will aim, of course, at a fair incidence of the total of taxes and benefits after our reforms are made.

The increase in sales tax can be expected to increase the prices of those goods subject to it—though just how much will depend on the market conditions in each commodity and in various distribution channels. Indeed in some cases the increase may not be passed on. Certainly it should increase the cost of living by much less than one per cent, taking into account that services and a wide range of goods are exempt. I should remind consumers that virtually all foodstuffs are exempt from the sales tax and therefore this increase in rate will have no effect upon this very important portion of their expenditures.

Conclusion

Before concluding, I would ask permission to place on *Hansard* at this point for convenient reference a brief table showing our revised forecast of revenues and expenditures this fiscal year, and the old age security revenues and expenditures and other non-budgetary requirements after taking the proposed tax changes into account, compared with the forecasts made in the budget in March.

Mr. Speaker: Is it agreed?

Some hon. Members: Agreed.

[*Editor's note: The table referred to above is as follows:*]

TABLE 3

	Fiscal Year 1966-67 March Forecast	December Forecast
Budgetary Revenues	8,300	8,260
Budgetary Expenditures	8,450	8,580
Budgetary Deficit	-150	-320
Old Age Security Payments	1,035	1,051
Old Age Security Revenues	1,277	1,275
Surplus of Old Age Security revenues over payments	+242	+224
Other Non-Budgetary Requirements, net (after including yield of refundable tax)	-432	-557

Mr. Sharp: In conclusion, Mr. Speaker, I think I should recall the positive, humanitarian purpose which motivates us tonight.

Some hon. Members: Oh, oh.

Mr. Sharp: We are creating in Canada a most complete system of old age pensions.

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Some hon. Members: Hear, hear.

An hon. Member: The best in the world probably.

Mr. Sharp: One of my colleagues says it is probably the best in the world.

Mr. Graftley: I admire the minister's modesty.

Mr. Sharp: For the long term we have the combination of the basic old age security pension and the Canada Pension Plan. For those in special need we have the Canada Assistance Act. For those already retired or retiring in the next few years and whose incomes are small we will have this guaranteed income supplement. All Canadians will share its cost under the measures proposed tonight. It is fitting in this Christmas season that we should be engaged in making a major contribution to the comfort and dignity of our senior citizens.

Some hon. Members: Oh, oh.

Some hon. Members: Hear, hear.

OLD AGE SECURITY ACT RESOLUTION

Resolved that it is expedient to amend the Old Age Security Act to provide that for the 1967 and subsequent taxation years the maximum amount of old age security tax payable on the taxable income of an individual be increased from one hundred and twenty dollars to two hundred and forty dollars.

EXCISE TAX ACT RESOLUTION

Resolved that it is expedient to amend the Excise Tax Act to provide that, effective January 1, 1967, the rate of the consumption or sales tax imposed under section 30 of the said Act be increased from eight per cent to nine per cent with respect to all goods subject to the said tax, except articles enumerated in Schedule V to the said Act and building materials that were exempt from the said tax immediately prior to June 14, 1963.

Hon. J. W. Monteith (Perth): Mr. Speaker, the Minister of Finance started off this evening trying to maintain throughout his speech a tone of sweet reasonableness. So reasonable were the minister's remarks that there was an almost complete lack of applause from his side of the house.

An hon. Member: Oh, no.

Mr. Monteith: Oh, yes. What happened when he announced the increase in personal [Mr. Sharp.]

income tax from \$120 to \$240? What happened when he announced the increase in sales tax, which means, incidentally, that he is presuming to impose the sales tax on the old age pensioners? He is taking the pensioners' benefits away in higher sales taxes. The sales tax hits everybody. There has been nothing in the minister's remarks to change what I had intended saying.

Miss LaMarsh: It would not have been much of a speech.

Some hon. Members: Oh, oh.

Mr. Monteith: We fully expected that there would be increases in taxation. This budget has been called a mini-budget. That name is applicable to it. It should be compared with a mini-skirt. Taxes are getting higher and higher but covering less and less. The budget has been said by the minister to contain a Christmas present for the older people of Canada. I claim that this is no Santa Claus budget but a Scrooge budget. It appears to me that tonight a quotation from Charles Dickens well describes the minister—"with affection beaming in one eye and calculation shining out of the other."

• (8:40 p.m.)

Before discussing the details of the budget, let us turn for a few moments to a matter of urgency which is now before the Canadian people, and to a situation which is in itself a reflection of the inaction of the Minister of Finance. I refer to the inept handling of the Prudential Finance shambles—

An hon. Member: By the province of Ontario.

Mr. Monteith: As I understand the situation, this company had a provincial charter but operated outside Ontario as well.

Some hon. Members: Oh, oh.

Mr. Monteith: The company has failed dismally, causing untold hardship to countless citizens who had every reason to suppose their life earnings were safe. Many hundreds are destitute. This sort of thing has gone far enough. How many more financial calamities will there be before this government acts?

An hon. Member: Ask Robarts.

Mr. Monteith: There seems to be a difference of opinion as to the extent of federal and provincial jurisdiction in certain fields of finance. To a degree I think these differences arise because of the lack of a proper