

dividend tax credit or inter-corporate dividend deduction, whichever is applicable.

Bill C-28 recognizes the importance of securities lending in the operation of Canada's capital markets. It will provide greater certainty in tax treatment for investors and security dealers alike. Together, these measures will facilitate legitimate securities lending but will curtail share lending only for tax purposes.

[English]

Finally, as a result of ongoing consultations with the securities industry, the deduction for dividend compensation payments for all taxpayers will be disallowed, effective July 1, 1989. In the case of payments made by registered securities dealers, the disallowance will be phased in so that only one-third of such payments made before April 1, 1990, will be nondeductible. Accordingly, the 50 per cent phase-in for the disallowance of dividend compensation payments announced in the May 26 release from the Department of Finance will not be implemented. The government will monitor the impact of these new rules in order to ensure that the Canadian securities industry maintains its international competitiveness.

I move on to other provisions. The government has not forgotten how important it is to ensure that persons who owe income tax actually pay that tax. To encourage taxpayers to pay their taxes on a timely basis, this bill will increase the rate of interest payable on overdue tax payments by two percentage points. A similar increase will be made to the rate of interest paid by the government on overdue refunds. There are also provisions to ensure that corporate tax payments due to the government are delivered on time.

[Translation]

Honourable senators, an underlying principle of the government's economic policies is equity and compassion for all Canadians which are reflected in Bill C-28, the purpose of which is to help some groups of taxpayers, those who need it most. The bill, therefore, introduces for new deductions to cover part-time attendant care expenses for handicapped workers.

Also, the deduction of some legal expenses incurred to obtain pension benefits or retiring allowances.

Also, the extension of the list of medical expenses eligible for tax rebate to include eight new medical apparatus.

And finally, and certainly worthy of note, other amendments ensuring that some consultation services provided to employees are not taxable.

Bill C-28 provides also for a new income deferral to ease the burden of cattle ranchers who, because of the drought, had to reduce the size of their breeding herds.

I suggest that all these amendments will improve the fairness of our tax system and help Canadians experiencing hardship unknown to most of their fellow citizens.

To conclude, I suggest that all Canadian men and women should realize that the serious problem of the national debt calls for action and a determination on our part just as

significant as that of the government if we want to bring it under control. The immediate adoption of concrete measures will allow us to maintain and protect for the future the social programs and other commitments to Canadian men and women.

Moreover, the steps taken under this bill will provide the federal government with the budgetary margin of operation it will need in the future to meet the priorities of a great many Canadians. That is the government's objective. With this bill, and other budgetary measures, the government will have the means to significantly attack the problem which the national debt has created for the benefit of all Canadians. Thank you, honourable senators.

On the motion of Senator Frith, debate adjourned.

● (1420)

[English]

**UNEMPLOYMENT INSURANCE ACT
EMPLOYMENT AND IMMIGRATION DEPARTMENT
AND COMMISSION ACT**

BILL TO AMEND—SECOND REPORT OF SPECIAL COMMITTEE
PRESENTED AND ADOPTED

Hon. Royce Frith (Deputy Leader of the Opposition), for
Hon. Jacques Hébert, chairman of the Special Committee of
the Senate on Bill C-21, presented the following report:

Thursday, December 21, 1989

The Special Committee of the Senate on Bill C-21, An Act to amend the Unemployment Insurance Act and the Employment and Immigration Department and Commission Act has the honour to present its

SECOND REPORT

Your Committee, which was authorized by the Senate on Thursday, November 9, 1989, to study and report on the Bill C-21, An Act to amend the Unemployment Insurance Act and the Employment and Immigration Department and Commission Act, respectfully requests that it be empowered to adjourn from place to place within Canada.

Pursuant to Section 2:07 of the *Procedural Guidelines for the Financial Operation of Senate Committees*, the budget submitted to the Standing Committee on Internal Economy, Budgets and Administration and the report thereon of that Committee are appended to this report.

Respectfully submitted,

JACQUES HEBERT
Chairman

(For text of appendices to report, see appendix, page 1006).

He said: This is the budget for the committee that was approved in the Internal Economy Committee today, and because I believe we will be adjourning today I am going to ask for leave to have it adopted today, and I will explain why.