• (1540)

I would like to point out that the Government is determined to provide a strong stimulus for small businesses through this legislation. If we include unincorporated businesses and farming and fishing operations, small businesses represent 20 per cent of the net value of the entire industrial sector. However, about 30 per cent of the benefits arising from the Budget measures provided for businesses during the 1984 fiscal year will benefit small businesses. This percentage may seem disproportionate, if we consider the size of the small business sector. However, it is directly related to the Government's position on the importance of expanding this vital sector of our economy.

The Budget provided measures to strengthen the financial situation of small businesses in Canada, in order to make them better able to make productive investments and in order to help them obtain further financing through share issues. These measures have been deliberately directed towards providing a broader range of assistance and economic stimulus to small businesses. As the Members of this House are aware, the Budget was preceded by broad consultations with many groups in the private sector, and with representatives of the provincial Governments. Many of the observations and recommendations we received have been incorporated in this Bill.

A large part of the Special Recovery Program, which provides some $4.8 billion, is directly aimed at accelerating productive investment and job creation in the private sector. In this connection, substantial changes have been made to the Investment Tax Credit. These changes will not increase current tax incentives but will make them more accessible to companies making investments. At the present time, the Investment Tax Credit provides a reduction in income tax equal to a certain percentage of investments in equipment and structures used in manufacturing and processing of resources, including fishing and farming. However, the amount of tax credit that could be claimed was limited, and the Bill has now eliminated this restriction. We have expanded the possibility for taxpayers to carry back or carry forward investment tax credits unclaimed in a given year in order to reduce federal tax for preceding and following years.

The Investment Tax Credit has also been extended to heavy equipment used in the construction industry. These changes in our Income Tax Act will be permanent and will be reflected in assistance totalling some $1.3 billion for private investment.

However, the Budget recognized the fact that certain additional tax incentives were necessary to further stimulate economic recovery, since the Investment Tax Credit can only be a stimulus where businesses make profits that are taxable. However, not all Canadian businesses are in this happy circumstance. This is particularly true of small businesses throughout the country. The Government has therefore decided to establish a tax measure that will encourage these businesses, as well, to invest, even if they are not taxable for the time being, and to invest as soon as possible, to make for a vigorous and durable recovery.

That is why this Bill proposes that the portion of the Investment Tax Credit earned over the next three years and which cannot be used to reduce taxes in the year in which it is earned, be refunded directly to businesses. For small business corporations and for unincorporated businesses, the portion refundable in cash will be 40 per cent.

The Bill is also presenting a new temporary measure that will help these businesses to obtain the equity they need to finance new investment. This is a new, flexible mechanism that will authorize corporations to transfer tax credits earned on this investment to purchasers of new shares. Purchasers will be entitled to a tax credit to the extent of 25 per cent of the price of the shares.

Altogether, these measures will add $640 million to federal tax incentives for investment in and issuing of shares. These measures will be of particular benefit to small and medium-sized businesses, and they will be especially helpful to corporations that are experiencing substantial difficulty and feel that they will not be able to make new investments as long as they are unable to upgrade their ratio of self-financing.

The Bill also provides for two major changes to the Registered Home Ownership Savings Plan to stimulate purchases of newly-built homes and major items of furnishings. Eligible Canadians who buy newly-built houses before 1985 will be allowed to deduct from their taxable income the amount needed to reach the $10,000 overall ceiling of deductions for contributions to a RHOSP. This provision will even apply to individuals who have not yet contributed to a RHOSP, provided of course they are eligible under the plan.

As an additional economic stimulus, individuals will be permitted a tax-free withdrawal of part or all of their accumulated savings now in a RHOSP for the purchase of furniture and major appliances until the end of this year. Such withdrawals will not affect their eligibility for the plan.

The Indexed Security Investment Plan, which went into effect on October 1, 1983, will encourage Canadians to invest more of their savings in common shares of listed Canadian companies. Its effect will be to exempt from tax the inflationary portion of capital gains on common shares bought under ISIP. This innovation is a significant aspect of the Government's recovery program.

The Bill also provides another means to help companies hard pressed by the recession. New tax measures will give businesses and investors more scope to carry over losses incurred in one year to reduce taxes in other years. Small companies and incorporated businesses will be allowed to carry back their losses three years instead of one as prescribed under existing regulations. The full three-year carryback period will be effective immediately for small business corporations. The carryforward period will be seven instead of five years.