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BUDGET MEASURES AND TAX REFORM

Mr. Edgar J. Benson, Minister of Finance, presented the Budget to the House of Commons on June 18. Some highlights of the tax reform legislation it contains, which is intended to come into effect next year, follow:

PERSONAL INCOME

- Basic exemptions increased: single, to \$1,500 from \$1,000; married, to \$2,850 from \$2,000.
- On wage or salary income, all married-status taxpayers pay less in 1972 than at present; single-status taxpayers pay less on employment income below \$8,000.
- Initial 17-per-cent rate of federal tax will be reduced progressively to 6 per cent by 1976.
- Child-care expenses deductible up to \$500 a child under 14, maximum of \$2,000 a family.
- Special exemption of \$650 for individuals age 65 and over. Replaces exemption of \$500 at age 70.
- Employment expenses deductible: 3 per cent of employment income up to \$150 a year.
- Moving expenses deductible for taxpayers changing jobs.
- Employer-paid living expenses at distant work sites made tax-free.

- More items included in income.
- Calculation of tax simplified.
- Limits raised on contributions to pension plans and other retirement plans.
- Limit on total charitable donations raised to 20 per cent of income from 10 per cent.
- Two income-averaging plans available.

CAPITAL GAINS

- Half of capital gain taxable at taxpayer's personal rate.
- Half of capital loss deductible.
- Five-year revaluation dropped. Accrued capital gains taxed at death.
- Federal gift and estate taxes abolished on December 31, 1971.
- Taxpayer's home and one acre of land completely exempt from capital gains tax.
- Personal-use property exempt unless selling price is more than \$1,000.
- Special rules for corporate reorganizations.

CORPORATIONS AND SHAREHOLDERS

- General tax rate for corporations is 50 per cent in 1972, declining one percentage point annually to 46 per cent in 1976.
- Tax rate of 25 per cent on first \$50,000 of business income available to Canadian-controlled private corporations to assist growth.
- Dividend tax credit increased to 33 1/3 per cent and included in income.
- Dividends received by corporations generally tax-exempt.
- Refund of taxes available on investment income and taxable dividends of private corporations.

MINING AND PETROLEUM

- Automatic percentage depletion continues to 1976, then replaced by earned depletion.
- Three-year tax exemption for new mines to be withdrawn after 1973, replaced by fast write-off.

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