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ANALYSIS

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THE LITTLE BIGHORN

It is not clear at this time whether or not Finance Minister Allan J. MacEachen's June 28 Budget will be his last stand. But certainly, he has been surrounded by more Indians in the last two years than he could see or imagine. He has also been let down by a couple of regimental commanders who were despatched to improve equity, round up a few loopholes and bring back some resources at a time when they were needed for the main battle. While the Finance Minister survived the skirmish of November 12, 1981 with a few feints and parries on December 18, 1981 and a couple of sallies into special areas, he has not shown any desire to retreat or reconnoitre much further, and thus the battle must be fought on the June 28 Budget. In short, this is it, and the outcome will depend upon how many Indians remain who want to take his scalp.

Obviously, the key thrust in the whole campaign is the limitation of the indexing factor in almost every area, including salaries and prices that are controllable by the Government. But the success of the strategy depends heavily upon the private sector and the unions. While it may be argued that restraint in public service remuneration is appropriate regardless of what happens elsewhere, simply because such remuneration is perceived to be too high (even if it isn't), there is little doubt that inflation cannot be reduced unless the private sector embraces the example of the Government and generally restrains price and wage increases to 6% from now until the end of 1983 and to 5% in 1984. In many instances this has already occurred in the private sector so that the Government can be seen to be following rather than leading, but the big question mark is the unions and other governments and their agencies. While wage and price controls for the whole country do not appear imminent, and do not work in any event, there must be a very strong voluntary commitment to keep wages and prices down on the part of all Canadians if inflation is to be reduced. While some public servants will claim that they are being singled out unfairly, they should realize that without restraint in the public sector it will be impossible to reduce inflation, and that they are not alone in that Old Age Security payments, family allowances, and all taxpayers will bear some of the burden too. In this latter regard it is worth noting that unless the rate of inflation actually does drop to 6% in 1983 and 5% in 1984, which seems unlikely, the limitation upon the indexing factor for two years will result in a permanent loss to old age pensioners and family allowance recipients since full indexation at the end of the period will be computed upon a lower base. Similarly, the limit upon indexation in the tax system constitutes a disguised but permanent tax increase for the same reasons.