

Hon. Mr. Hayden: Well, of course I prefer to make my own comment and my honourable friend can make his.

The purpose of this 5 per cent refundable tax, as the minister said, is to temporarily immobilize and divert a portion of the flow of funds that are the chief source of financing increasing capital expenditures of business. I think this amendment will be a success in curtailing inflationary pressures, but only if certain conditions are followed, namely, that the taxes so collected are not all spent by the Government—and judging by the bills that have come here during this session we are doing a very good job at spending—and that the corporations do not borrow on the security of the tax to be refunded. There is a formula in the bill providing for a corporate tax base and also for a trust tax base. It makes very interesting reading. The only thing in it to which I want to call the attention of this house is that the corporate tax base is designed to approach closely the cash flow of the company and not the taxable income.

Hon. Mr. McCutcheon: That is right.

Hon. Mr. Hayden: That is because certain things are added back for the purpose of arriving at the corporate tax base. One is the capital cost allowance which is added back to the amount of 50 per cent of the gross income.

I should call attention to the fact that the minister also announced amendments to the Income Tax Regulations dealing with capital cost allowance. In various of those classes he reduced the capital cost rate for the period that this refundable tax is in force, namely, 18 months. Originally, on budget night, that included automotive equipment and automobiles, but there was an amending order in council issued the other day which restores the original rates of depreciation to those assets.

Now, when do you get the money back? Well, a corporation has to pay this tax on a monthly basis. An estimate will have to be made monthly as to this 5 per cent, and then the actual amount has to be caught up with at the end of the year. That is, at the end of the year it can be ascertained what additional amounts are payable or what amount has been overpaid. But the minimum period before repayment will start is 18 months and the maximum period is 36 months. So, if you figure your eighteenth month as the last

month in which you deduct the 5 per cent, you will have to wait 18 months or 36 months, as the case may be, before you get your money back. Of course, you will be receiving 5 per cent interest in the meantime.

Hon. Mr. McCutcheon: Which is taxable.

Hon. Mr. Hayden: Of course.

Honourable senators, I think I have dealt with what I regard as the important clauses of this bill. If there are any questions honourable senators have to ask, I am prepared to try to answer them.

Hon. M. Wallace McCutcheon: Honourable senators, as I have done for four years, I have listened again to Senator Hayden describe the effect and intent of a bill to amend the Income Tax Act. The bill before us tonight is of course much simpler than some of the others he has described to us. Part of our difficulty in this house is that we do not debate the resolutions before the bills. We do not debate the budget speech. We receive a bill which purports to do certain things.

While I intend to talk specifically about this bill, I should like to make one or two general remarks. The first one is that this is an unusual bill in that it does not implement the budget resolutions. Budget Resolutions 11, 12 and 13 are not reflected in this bill at all. We are told that they present difficulties, but what that really means is that they were ill-considered and not thought through. When certain people started to think them through they realized it was going to be a little difficult to reproduce them in legislation. So we have a bill before us that really does not reflect what was in the budget.

Then, we have a confession of the minister. I suppose it is open to every member of the public to sit in the gallery of the House of Commons, as I did this afternoon, and if other honourable senators were there they heard a confession from the minister that the only really urgent clause of this bill is the one Senator Hayden referred to dealing with the withholding tax on federal, provincial and municipal bonds. I am fully in accord with this clause. The minister said it must be put through because, as he put it, the financial communities in other countries have not the same faith in the implementation of budget resolutions that we in Canada have.

Having said that, I point out that we are now faced with a truncated bill—a bill which,