

*Income Tax Act, 1986*

In addition to the benefits to social programs and economic activity, the Bill also provides new provisions for charities. The legislation contains two measures of relevance to registered charities. The first measure permits charities, in 1985 and subsequent taxation years, to engage in non-partisan political activities that are ancillary or incidental to their primary charitable purposes or activities. Currently, the Income Tax Act requires a charitable foundation to be constituted and operated exclusively for charitable purposes and requires all resources of a charitable organization to be devoted to charitable activities carried on by the organization itself. The difficulty is that the common law meaning of charitable purposes or activities has not included political activities. Therefore, a registered charity which engages in such activities could risk losing its tax exempt status.

However, the amendment recognizes that it is appropriate for a charity to use its resources within defined limits for ancillary and incidental political activities in support of its charitable goals. This means that non-partisan political activity in support of the charity's organizational goals is acceptable and recognized in the Bill.

Another major consideration in the Bill is the change with regard to child benefits in the country. The child tax credit will rise by \$70 in the 1986 tax year and \$35 in each of the tax years 1987 and 1988. The income threshold above which the child tax credit is phased out will be reduced to \$23,500 from \$26,330. The child tax exemption for children under 18 will be reduced from \$710 per child to \$560 in 1987; \$470 in 1988, and will equal the annual value of family allowance payments in subsequent years. These child tax benefit changes are another social consideration which the Government has included in this Bill.

All of these provisions address a fundamental problem which the Government inherited when it came to office. It is that the country is faced with a substantial deficit which, in the fiscal year ending March 31, 1985, reached \$37 billion. The country spent \$101 billion providing services and support to Canadians yet brought in revenues of only \$64 billion. Not only is the \$37 billion deficit unbelievable, it is escalating very quickly. In fact, I believe that the accumulated deficit as of March 31, 1985, reached \$190 billion in magnitude. As was pointed out by an Hon. Member earlier today, the country will simply go bankrupt if this situation continues.

I believe the Government has taken the responsible course of action and attempted to reduce expenditures wherever possible while cutting back on government services which have been duplicated or been found unnecessary, as well as increase the cost of some fees where warranted. I believe these steps allow the Government to make a balanced attempt to bring the deficit under control. If we do not accomplish that goal, we will hear economic horror stories that the country has never before experienced.

It is unbelievable to most Canadians that a third of all tax dollars raised last year went to pay interest on the debt. Of course, that debt is a result of the wild expenditures of a Government that thought it could never run out of tax dollars.

Now we are suffering the economic consequence of that philosophy.

Many would suggest that the fact our dollar is not as strong as we would like is due to our large deficit. The Government's attempts at bringing the deficit under control is doing much to stabilize the value of the dollar, and I believe the Minister of Finance will have to continue that course of action.

One of my concerns as a Member of Parliament from Atlantic Canada is that the system used for deficit control is fair to everyone. We have special needs in Atlantic Canada, as do other regions of the country. This means that we must ensure that all new provisions are fair.

● (1530)

That is why I mentioned earlier that I was pleased to see the Forget Commission looking at the unemployment insurance system. If and when changes are made to that system, hopefully they will be fair to Atlantic Canada and other areas with high unemployment. I am pleased that the Government is taking its time to ensure that needless programs are not put in place and that the correct thing is done for all Canada.

It is obvious that I can support the provisions of Bill C-84. It places us on the right course, on the track to economic recovery. I am sure all Hon. Members of the House will want to join the Government in supporting it.

**Mr. Gormley:** Mr. Speaker, by way of a comment, I commend the Hon. Member for Cardigan (Mr. Binns) for his timely and well placed comments. I should like to add a few words in respect of the capital gains tax exemption. Bill C-84 includes the \$500,000 capital gains exemption. I am very pleased that this day has come and that this capital gains tax provision will come to its final vote. It has been long awaited in the prairie agricultural community. However, I am disappointed that the Opposition, particularly the New Democratic Party, has attempted for as long as it has to delay passage of this capital gains tax provision. It is lamentable because the delay has added further uncertainty to the prairie agricultural community. Many accountants and tax lawyers have quite rightly had to tell elderly, retiring farmers to hold off because the Bill had not been passed. Despite assurances that it would be retroactive to January 1, 1985, because of the stalling tactics of the Opposition, these elderly farmers were very concerned and have in fact held off making major decisions.

It is with a great sense of pride and accomplishment today that we approach the final vote on this measure to bring the capital gains tax relief of \$500,000 to prairie agriculture. It is also a great day for the small business community. This capital gains tax exemption is an act of confidence and of consideration by the Government for the small business people of Canada. I should like to add my further support to it.

**The Acting Speaker (Mr. Paproski):** Would the Hon. Member for Cardigan (Mr. Binns) like to comment on the Hon. Member's comments?